

**APPRAISAL OF**  
**93,600 square feet of Tidelands**  
**Lido Marina Village**  
**Newport Beach, California**

***DRAFT***

Dates of Value:

December 1, 2010

Date of Report:

December 28, 2010

Our File No.:

910-3

Submitted To:

Ms. Leonie Mulvihill  
Assistant City Attorney  
3300 Newport Boulevard  
Newport Beach, CA 92663

Submitted By:

George Hamilton Jones, Inc.  
Geroge Hamilton Jones, MAI  
Casey O. Jones

## SUBJECT PHOTO



View northwesterly from the southeasterly portion of the subject.  
(Photo taken 11/9/10 )



Aerial view southwesterly.

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December 28, 2010

Ms. Leonie Mulvihill  
Assistant City Attorney  
City of Newport Beach  
3300 Newport Boulevard  
Newport Beach, CA 92663

Re: Appraisal of 93,600 square feet of  
Public Tidelands adjacent to  
Lido Marina Village

Dear Ms. Mulvihill:

In accordance with your request and authorization, we have examined the 93,600 square feet of submerged tidelands (water only) adjacent to the Lido Marina Village for the purpose of expressing our opinion of its fair market rent on two bases:

- a. as currently configured with existing slips, docks, and improvements;
- b. as improved to the property's highest and best use of slip configuration and construction character.

The opinion of market rent is to be expressed as an annual percentage rent based upon the revenue generated by the marina use. Additionally, an opinion of annual minimum rent is to be developed.

The date of value for this appraisal is December 1, 2010.

As will be shown in the following report, the highest and best use of the subject tidelands was judged to be for marina use in joinder with uplands properties. However, the subject consists of water area only, extending from the bulkhead line to the pierhead line. Therefore, in accordance with the instructions set out in the Scope of Services, this valuation is based on the extraordinary assumption that "parking, restrooms and storage area space required for the existing and future marina development shall be made available for the leased tidelands within the adjacent Lido Marina Village properties." Implicit in this assumption is that the

marina operation would be required to pay a fair return to the uplands ownership for those rights of use. This uplands obligation would be met by the cash flow generated from the marina operation.

Because of the unique nature of the Lido Marina Village ownership and the size and breadth of the re-development being proposed for the area, it was judged to be appropriate to analyze the uplands land area requirements on two different sets of conditions. The first considered the total land area necessary to satisfy the requisite parking, office and storage space. The second analyzed the uplands requirements with the parking needs being satisfied by a multi-level parking structure, which reduced the land area required but included an appropriate return to the parking structure improvements.

This valuation is further based on the extraordinary assumption, set out in the Scope of Services, that the subject property is subject to a proposed lease that shall have a term of fifty (50) years, with a market rent adjustment (of percentage rent) at twenty-five years, and that minimum rent shall be readjusted every five (5) years.

After investigation of the property and matters pertinent to its valuation, we have formed the following opinions of fair market percentage rent and minimum rent for the subject property under the terms set out in the Scope of Services.

**Tidelands as Currently Configured (Existing Use):**

Annual Percentage Rent: 16% of gross revenue

Minimum Rent: 75% of the average of the rentals paid over the previous five years, with adjustments at five-year intervals.

Note: Because this lease represents a transition for the subject property from rent based on a Harbor Permit to a percentage rent basis, no empirical data of prior percentage rents paid were available to provide a basis for calculating minimum rent.

Therefore, we calculated the minimum rent for the first year by taking the effective gross income generated by the existing marina, applying the 16% percentage rent, and



then multiplying that figure by 75% to yield a minimum rent indication of \$100,200.

This minimum rent is to apply for the first five years of the lease. Thereafter, the minimum rent will be 75% of the average of the rentals paid over the previous five years, with adjustments at five-year intervals.

**Tidelands at Highest and Best Use:**

Annual Percentage Rent: 16% of gross revenue

Minimum Rent: 75% of the average of the previous five years' rent, adjusted every five years.

Your attention is directed to the following appraisal report which sets forth, in brief, premises and limiting conditions, descriptions, exhibits, factual data, discussions, computations, and analyses which form, in part, the basis of our value conclusion. Supporting documentation and analyses are retained in our files.

Respectfully submitted,

**DRAFT**

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George Hamilton Jones, MAI  
(State Certified General Real Estate  
Appraiser No. AG005632)

**DRAFT**

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Casey Jones  
(State Certified General Real Estate  
Appraiser No. AG041862)

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## EXECUTIVE SUMMARY

The subject of this appraisal is 93,600 square feet of submerged tidelands (water only) situated adjacent to Lido Marina Village in Newport Beach, California. The property is held in fee by the City of Newport Beach in public trust for the State of California.

The purpose of the appraisal is to form an opinion of the fair rental value (market rent) under two bases:

- a. as currently configured with existing slips, docks, and improvements;
- b. as improved to the property's highest and best use of slip configuration and construction character.

The opinion of market rent is to be expressed as an annual percentage rent based upon the revenue generated by the marina use. Additionally, an opinion of annual minimum rent is to be developed.

Historically, occupancy of the tidelands has been granted through the mechanism of Harbor Permit No. 124-3400, which was originally issued in 1973. Remuneration for the rights of occupancy was through established tidelands permit fees. The current valuation entails the extraordinary assumption that the subject tidelands is subject to a proposed lease with the following terms:

1. The lease shall have a term of fifty (50) years, with a fair market value (market rent) adjustment at twenty-five (25) years;
2. Minimum rent shall be adjusted every five years;

The tidelands, which are the subject of this appraisal, cannot adequately function without access to uplands for parking, office, and storage. Separately, the tideland possesses limited public use and is nominal in utility or value. Its highest and best use is to be used as part of a marina operation in joinder with the required uplands.

The uplands, on the other hand, have a highest and best use of commercial or mixed-use purposes. These properties do not require the tidelands for that use. While the tenants at the existing marina are able to independently secure daily or monthly parking at the multi-story parking

facility within Lido Marina Village, since the tidelands and the uplands are under separate ownership this right of parking cannot be guaranteed.

Accordingly, it is an extraordinary assumption of this appraisal, set out in paragraph 2 of the Scope of Services, that the valuation shall consider that “parking, restrooms, and storage space required for the existing and future marina shall be made available for the leased tidelands within the adjacent Lido Marina Village upland properties”.

Since this land is held in different ownership from the tidelands, it is further assumed that the ownership of this land would receive the fair market value or reasonable market return on the value of the land so dedicated. This cost for this would be met by the cash flow generated by the marina’s slip rentals.

The valuation was carried out in recognition of these somewhat unique circumstances. Market rent estimates are best supported by careful investigation of leasing information involving properties with good comparability to the subject of the appraisal.

Drawing upon a wide range of sources along the Southern California coast, we researched market rental rates at a variety of similar marina operations. The overwhelming majority of the available data included properties where both tidelands and required uplands are leased in joinder, with no allocation of the tidelands alone. Accordingly, as will be shown in the following pages, our appraisal employed a process whereby the contribution or economic obligation to support the required uplands was extracted from the empirical data of tidelands and uplands in joinder to yield a residual value to the tidelands.

The research showed that market rent for leased marina sites – comprising both tidelands and uplands - is almost universally based upon 25% of the marina’s gross rental revenue for slips. In our judgment, this rate would be applicable to subject tidelands *if it included the required uplands in joinder under a single lease*.

We have measured the allocation to the tidelands of its portion of the rental value in joinder by two independent approaches. The first involves recognition of both the tidelands and uplands at their highest and best uses. The percentage residual to the tidelands is computed after deducting the obligation of the total marina operation to provide an appropriate return



on the investment in the uplands at its highest and best use.

The second method again considers the concluded 25% of gross slip revenue as the basic rental value in joinder. The residual percentage to the tidelands is measured by hypothetically considering the uplands investment being reduced by replacing the ground level land area parking requirement with a three-story parking structure. This would require  $\pm 40\%$  of the costly land area while providing the appropriate number of marina parking spaces within a multi-level parking structure. This was considered feasible at the subject location because, at the date of value, the cost of structured parking on a per unit basis was less than the value of land. The existence of the current parking structure and the likelihood of a parking structure being integral to any re-development of the Lido Marina Village further justified this approach.

In the following report we will show the data, reasoning and analyses that we employed in reaching the following market rent conclusions for the subject tidelands by these two approaches:

Approach 1:	15%
Approach 2:	15% to 18%
Reconciled Conclusion:	16% of total slip revenue

The above 16% percentage rental conclusion was based upon the tidelands considered at its highest and best use, which is the marina use.

After analysis of numerous empirical data and interviews with individuals responsible for the negotiation and administration of marina leases, we concluded that minimum rent applicable to the fair rental value should be equivalent to 75% of average lease rentals paid over the prior five years, with adjustments every five years.

In forming our opinion of the fair rental value of the tidelands as currently configured with existing slips, docks and improvements, we initially analyzed the highest and best use of the tidelands as so improved. Our conclusion was that, due to the poor condition and disjointed configuration of the existing facilities, a well-informed investor in the subject would consider a five-year phased redevelopment program appropriate.

The percentage rent would remain at 16%. Because the proposed lease terms represent a transition from annual rent based upon a Harbor Permit, as opposed to an established percentage of the gross revenue generated, there were no applicable prior years' rental payments against which to apply the market-derived 75% to obtain the minimum rent. Therefore, we calculated the minimum rent for the first year by taking the effective gross income generated by the existing marina in 2010 (\$835,000), applying the 16% percentage rent, and then multiplying that figure by 75% to yield a minimum rent indication of \$100,200.

$$\$835,000 \times 0.16 \times 0.75 = \$100,200$$

After analysis of effective gross income projections during a five-year redevelopment program, which, in our opinion, would likely be followed by a well-informed investor in the subject property, it was concluded that the \$100,200 minimum rent amount would appropriately be applied during each of the first five years of the lease. Thereafter, the minimum rent would be 75% of the average of the actual rentals paid over the previous five years, with adjustments at five-year intervals.

### Summary of Value Conclusions:

#### At Highest and Best Use:

Percentage Fair Market Rent:	16% of gross marina revenue
Minimum Rent:	75% of the average of the prior five years of lease rental. Rate subject to adjustment every five years.

#### As Currently Configured and Improved:

Percentage Fair Market Rent:	16% of gross marina revenue
Minimum Rent:	Years 1 through 5 - \$100,200  After first five years, 75% of average of the prior five years. Rate subject to adjustment every five years.

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## INTRODUCTION TO THE APPRAISAL PROBLEM

### **Purpose:**

The purpose of this appraisal is to render an opinion of the current fair rental value<sup>1</sup> of the City of Newport Beach Tidelands situated adjacent to Lido Marina Village. The tidelands include 93,600 square feet of water area.

The market rent of the tidelands shall be estimated under two bases:

- a. As currently configured with existing slips, docks and improvements;
- b. As improved to the property's highest and best use of slip configuration and construction character.

The opinion of market rent shall be expressed in terms of percentage rent, with an associated minimum rent, as of the date of value.

### **Date of Value:**

December 1, 2010

### **Client/Intended User:**

The City of Newport Beach.

### **Intended Use:**




The intended use of the report is to assist in setting the rental rate for the commercial use of the tidelands based upon the following extraordinary assumptions, among others:

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<sup>1</sup> The term "Fair Rental" is supplanted in *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition, published 2010 by The Appraisal Institute, by the term "Market Rent", the definition of which is set out on the following page. "Market Rent" will be used in lieu of "Fair Rental Value" in this report.

# LIDO MARINA VILLAGE



-  Public Tideland
-  Bulkhead
-  Pierhead

1. Parking, restrooms and storage space required for the existing and future marina development shall be made available for the leased tidelands within the adjacent Lido Marina Village upland properties;
2. The lease under which the rental rate will be applied shall have a term of fifty (50) years, with a fair rental adjustment at twenty-five (25) years;
3. Bulkhead maintenance and security shall be the responsibility of the upland ownership.

**Property Rights Appraised:**

Market rent of the fee simple interest in the subject 93,600 square feet of tidelands under the extraordinary assumption that the uplands necessary for the parking, restrooms and storage area required for the existing and future marina development shall be made available within adjacent Lido marina Village properties.

**Definitions:**

Tidelands:

For the purpose of this study the public tidelands are considered to consist of that water area extending from the established U.S. Bulkhead Line to the Pierhead Line. The total area is 93,600 square feet.

Market Rent<sup>2</sup> (Fair Rental Value):

*The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).*

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<sup>2</sup> *The Dictionary of Real Estate Appraisal*, The Appraisal Institute, Fifth Edition, 2010.



Market Value<sup>3</sup>:

*The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.)

Leasehold Estate (Leasehold Interest)<sup>4</sup>:

The tenant's possessory interest created by a lease.

Leased Fee Estate<sup>5</sup>:

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord tenant relationship (i.e., a lease).

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<sup>3</sup> This definition of market value is used by agencies that regulate financially insured financial institutions in the United States.

<sup>4</sup> *The Dictionary of Real Estate Appraisal*, Appraisal Institute, Fifth Edition, pg. 111.

<sup>5</sup> *Ibid.*, pg. 111.

Fee Simple Estate (Fee)<sup>6</sup>:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Percentage Lease:

A lease in which the rent or some portion of the rent represents a specified percentage of the volume of business, productivity, or use achieved by the tenant.

Minimum Rent:

This is a base rental amount, or fixed payment in a lease. It can be subject to periodic adjustment. This is intended to provide the lessor assurance of a minimum return on investment, while also considering the lessee's ability to meet the rental obligation during periods of reduced income arising from periodic economic downturns and other unforeseeable events beyond the control of the lessee.

Overage Rent:

The percentage rent paid over and above the guaranteed minimum rent, or base rent.

**Extraordinary Assumptions:**

This is based upon the following extraordinary assumptions, as set out in the Scope of Services:

1. Parking, restrooms and storage area required for the existing and future marina development shall be made available for the leased tidelands within the adjacent Lido Marina Village upland properties. Implicit in this assumption is that the marina operation would be required to pay a fair return to the uplands ownership for those rights of use.

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<sup>6</sup> Ibid., pg. 78.

2. The proposed lease shall have a term of fifty (50) years, with a fair market value adjustment at 25 years. Minimum rent shall be readjusted every five years. (see discussion below)

**Lease Terms:**

Though the operative lease pertaining to the subject property was unwritten at the date of this report, our analysis is based upon the extraordinary assumption that, in lieu of the existing annual permit, the following lease terms and conditions will apply:

Term of Lease:	Fifty (50) years, with a fair market value (market rent) adjustment at twenty-five (25) years.
Percentage Rent:	This is the basis of the market rent valuation. It is obtained by multiplying the appropriate percentage rate times the gross slips rents and any other source of potential income generated by the tidelands.
Minimum Rent:	This is a base, or minimum, rental amount. It will be due and payable irrespective of the level of income generated by the gross slip revenues. If the percentage rent is greater than the minimum rent, the overage (difference between percentage and minimum rents) shall be paid.

**Adjustments:**

Percentage Rent:	Rate level for 25 years. The subject lease will have a market rent adjustment of the percentage rent at the halfway point (25 years) in the 50-year term.
Minimum Rent:	The subject lease will have minimum rent adjustments every five (5) years.

**Rent Payment:** Minimum rent is payable in advance on the first of each month. Any overage rent generated by the percentage rent calculation is payable 15 days after the close of each calendar month.

**Scope of the Appraisal:**

The scope of the work required to formulate a supportable opinion of market rental value is extensive. Some of the more significant factors to be investigated, verified, and/or quantified during the appraisal process include:

**Site Analysis:**

Documentation of the physical characteristics of the tidelands. While the adjoining uplands parcels are not the subject of this valuation, investigation of their physical characteristics was considered appropriate, as a premise of this report is that uplands area required for the existing and future marina development will be made available from within the Lido Marina Village upland properties.

**Regional and Local Area Analysis:**

Investigate and document patterns of use, trend in development, the nature of the existing and future population demographics, economic and governmental influences, and other items that may have an influence on subject value.

**Highest and Best Use:**

The subject is to be valued under its existing slip configuration and its highest and best use slip configuration. Accordingly, the scope of work entails analysis and support for the legal, physical, financially feasible, and maximally productive allocation of the tidelands space in marina usage to judge the highest and best use configuration.

**Market Data:**

Search for and verify slip rental rates, vacancy and incentive data, land and water lease data, boat slip income and expense data, rates for amortization of improvements, rates for overall capitalization, and rates for discounting future income to value. The data also included uplands sales data used to form a judgment of land value at the subject uplands. Verify the data.

**Valuation Analysis:**

The valuation analysis involves several steps. Initially, a comparability analysis of empirical lease and rental data is made to provide indications of land and water rent in joinder. This is followed by a residual analysis to isolate income attributable to land and water as a check on empirical percentage land rent indications.

Allocate the total land/water rent for marina purposes between land and water to equalize the return to each considering the highest and best use of each.

This analysis is required for both the existing slip configuration and the highest and best use slip configuration. Review the data and form an opinion on an appropriate mechanism for judging the minimum rent due.

**Introduction to Valuation Methodology:**

Market rental value is based on the highest and best use of the tidelands, as if vacant. Our investigation indicates that the highest and best use of the subject tidelands parcel is for development of boat berthing spaces in joinder with adjacent uplands for the parking, restrooms, office, and storage area required for marina development. In this analysis we will consider the development of the marina in its current slip configuration, and at highest and best use slip configuration.



Our analysis indicated that uses independent of the uplands, such as offshore moorings, generate less income and may not be feasible. We concluded that without joinder to the uplands, the tidelands have only nominal or speculative economic value.

Our investigation indicated that there is insufficient data on the rental of the water area alone (without supporting uplands) for marina purposes to provide reliable rental value indications. However, there is abundant data on the rental of water and land in joinder for marina use. Economic analysis can be used to allocate the rent between the land and water.

Accordingly, our valuation of the subject tidelands at its highest and best use of marina development includes two fundamental steps:

1. Estimate the market rental for land and water in joinder for marina use.
2. Allocate the rent between the land and water based on an equalized rate of return to each, considering the highest and best use of each.

# LOCATION MAP



## **PROPERTY DESCRIPTION**

### **Location:**

The subject property is located in the northwest portion of Newport Harbor in the City of Newport Beach, California. The property has 961.08 feet of water frontage along the northeast line of the most northerly portion of the Balboa Peninsula. It extends bayward for 100 feet from the Bulkhead line to the Pierhead line.

### **Apparent Owner:**

#### Fee Interest:

The subject tidelands are considered to be held in fee by the City of Newport Beach in public trust for the State of California.

#### Leasehold Interest:

It is our understanding that the marina structures and certain tidelands occupancy rights that may be held by the adjacent upland littoral owners have, in part, been effectively under lease by various lessees since the establishment of Harbor Permit No. 124-3400, which was originally issued in 1973.

It is an extraordinary assumption of this report that the subject tidelands be clear of any impediment or benefit by any enhancement arising from these interests. The subject tidelands are considered to be unencumbered by any and all interests and available to the open market.

### **History of Ownership:**

#### Fee Interest:

The ownership of the subject fee interest has been held by the City of Newport Beach in public trust for the State of California for in excess of 10 years.



## AERIAL PHOTO OF SUBJECT TIDELANDS



Leasehold Interest:

It is our understanding that the right to occupy the subject tidelands (conveyed through Harbor Permit No. 124-3400), along with the ownership of the pier and dock improvements existing within the tidelands was transferred from Marvin Engineering, Inc. to WREC Lido Ventures, LLC. on May 30, 2006 (Document No. 362433).

In addition to the these interests in the subject tidelands, the transfer also conveyed certain interests (both fee and leasehold) in a portion of the adjacent uplands from Marvin Engineering to WREC.

**Parcel Size and Shape:**

By assessor's records, the subject parcel has 961.08 feet of frontage along its southerly boundary at the Bulkhead line. The width of the majority of the tidelands is 100 feet, extending from the bulkhead line to the pierhead line. (Harbor Permit policy allowed extension of the original pierhead line by 20 feet.) The majority of the tidelands is rectangular in shape, with the exception of the northwest end, which is irregular due to the change in direction of the bulkhead line at that point.

The total area of the tidelands is 93,600 square feet.

Unlike most marinas in Southern California the subject tidelands does not have an associated uplands to provide parking, restrooms, marina office space, and storage facilities for marina operations maintenance. In accordance with the instructions set out in paragraph 2 of the Scope of Services, we have included the extraordinary assumption that "parking, restrooms, and storage area space shall be made available for the leased tidelands within the adjacent Lido Marina upland properties." Further, the market rent, or a sum representative of a reasonable return on the investment in the required upland properties, shall be the economic obligation of the marina lessee.

As will be discussed further on in this report, our judgment of the configuration of the marina at its highest and best use will require 32 parking spaces and 500 square feet of for marina office, restrooms, and



## SUBJECT PHOTOS



View northwesterly of bulkhead at southeast end of subject.  
(All photos taken 12/24/10)



View northwesterly showing walkway adjacent to bulkhead  
overhanging the tidelands.

storage. At 350 square feet per parking space this reflects and upland land require which is calculated as follows:

$$\begin{array}{rcl} 32 \text{ parking spaces} \times 350 \text{ sq. ft.} & = & 11,200 \text{ sq. ft.} \\ \text{Office/restrooms/storage} & = & \underline{500 \text{ sq. ft.}} \\ \text{Total Uplands required:} & & 11,700 \text{ sq. ft.} \end{array}$$

Therefore, while the subject tidelands is restricted to 93,600 square feet of physical space, based upon the extraordinary assumption set in paragraph 2 of the Scope of Services, the subject is considered to have a utility consistent with 11,700 square feet of uplands available for its use.

### **Bulkhead and Littoral Rights:**

It is an extraordinary assumption of this report that bulkhead maintenance and security will be the responsibility of the upland ownership.

Further, we have been instructed to consider that the littoral rights of the upland ownerships adjacent to the subject tidelands extend only to *access* to the tidelands, but do *not* include rights of use and occupancy of the tidelands. Our independent investigations of this instruction have led us to conclude that it is a reasonable instruction that can be supported by case law.

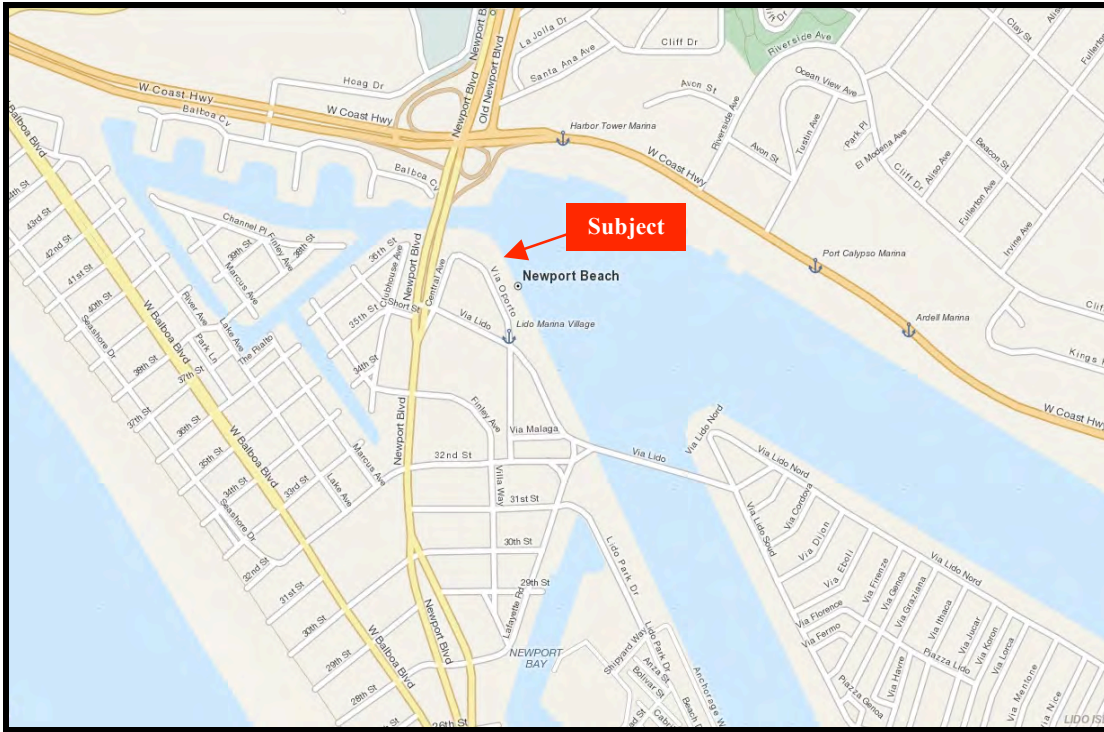
Therefore, it is an extraordinary assumption of this appraisal that the upland parcels adjacent to the subject tidelands possess no rights of use and occupancy of the subject tidelands through the exercise of their littoral rights.

### **Access:**

Access to the subject can be obtained by both land and water. Terrestrial access into Lido Marina Village is from two streets that intersect with Via Lido, the four-lane arterial located along its south line. Central Avenue runs in a generally north-south direction through the westerly portion of the village. It is a 60-foot right of way with asphalt and concrete paving, concrete sidewalks and parking on both sides.



## SUBJECT ACCESS



View showing access through commercial buildings from Via Oporto.



Via Oporto provides access to Lido Marina Village at its southeast corner. It heads in a curving northwesterly direction through the village, until it intersects with Central Avenue. The roadway is 25 feet wide and brick paved. The adjacent sidewalk is also brick-paved and landscaped with planted concrete pots and trees.

The marina can be reached from Via Oporto by the many walkways between the buildings that lead to the waterfront. It is an extraordinary assumption of this report that reasonable access to the marina can be obtained over adjacent uplands.

As stated previously, the subject tidelands is at the far western boundary of Newport Harbor. This places it approximately 3 1/3 miles from the harbor entrance. This requires approximately 45 minutes of travel time for a yacht berthed at the subject to reach the ocean and to return to its slip upon re-entering the harbor. This location/access characteristic can have an impact of slip rental rates.

#### **Utilities:**

Current connections to the existing marina include water and power. It is reasonable to assume that, under highest and best use, additional utilities such as cable for television and Internet service would be made available.

#### **Zoning:**

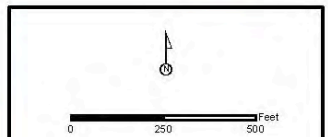
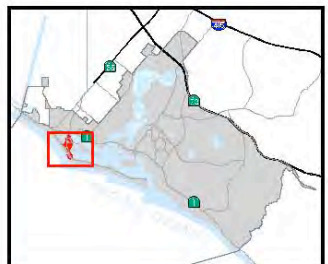
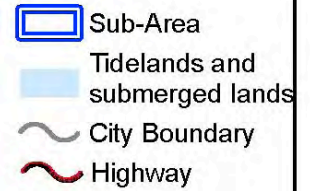
The right of occupancy of the subject tidelands is currently conveyed through the Harbor Permit No. 124-3400. It was originally established in 1973 under the following terms:

##### **Yacht Capacity:**

Slips:	55
Sideties:	18

Restrooms:	Three public facilities within adjacent commercial buildings.
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Parking:	0.75 space per slip
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Source: City of Newport Beach and EIP Associates  
PROJECT NUMBER: 10579-01  
Date: 08/03/06

EIP  
星島教育基金會

<b>(A)</b> Mixed Uses, Visitor-Serving and Retail Commercial, Overnight Lodging Facilities	<b>(D)</b> General and Neighborhood Commercial
<b>(B)</b> Multi-Family Residential	<b>(E)</b> Visitor-Serving and Marine-Related Commercial or Mixed Use
<b>(C)</b> * Mixed Use Permitted in any Location and Required at Street Intersections, * Multi Family Residential and Townhomes - any location except Intersections * Intersections: Mixed Use or Commercial	<b>(F)</b> Visitor-Serving Commercial

Figure LU19 Balboa Peninsula.mxd September 2010

PROPERTY DESCRIPTION – continued

Parking Garage: 25  
Elsewhere: 30

*Note: An 11/99 letter from the City of Newport Beach to Lido Marina Village noted that 30 parking spaces in current Olen (previously Imperial Bank) property were considered at the time of the original permit.*

Public Easement: 360 l.f. of 8-foot wide pedestrian walkway along the bulkhead; sewage pump out system required.

Beyond the harbor permit, subject tidelands has no specific zoning designation. However, use of the tidelands as a marina requires association with uplands parcels to provide support for the marina operation in terms of parking, restrooms, storage and office facilities.

An updated zoning code was adopted by the City Council of the City of Newport Beach on October 26, 2010. The purpose of this update was to bring the zoning code in line with the framework of the General Plan that was approved by voters in November 2006.

The entire uplands adjacent to the subject property is zoned MU-W2, mixed-use water related.

Principal Permitted Uses:

Handicraft industry  
Marine-related industrial  
Research and development  
Cultural institutions  
Residential (second-story only)  
Day Care (adult and child)  
Various retail (including marine rental and sales, alcohol)  
Offices (including medical and dental)  
Health and fitness (small – 2,000 sq. ft. or less)  
Marine entertainment and excursion services  
Water transportation services

Permitted by Conditional Use Permit (CUP) or Minor Use Permit (MUP):

Commercial recreation and entertainment  
Food service (various)  
Boat storage  
Boat yards  
Marine service stations  
Hotels, motels, bed and breakfast inns, timeshares  
Parking facilities

Standards of Development:

Minimum Lot Area:	2,500 square feet
Minimum Lot Width:	25 feet
Lot Area/ Unit (residential):	
Minimum:	1,631 square feet
Maximum:	2,167 square feet
Floor Area Ratio:	Minimum 0.35, maximum 0.7 for non-residential; 0.8 for residential.
Setbacks:	
Front:	0
Side:	0
Side (adj. res.)	5 feet
Rear:	0
Bulkhead:	10 feet
Height:	26 feet with flat roof 31 feet with sloped roof

Note: A minimum of 50% of the square footage in a mixed-use development shall be used for non-residential purposes.

Parking:

Marina Use:	0.75 spaces per slip
Marine Entertainment and Excursion Services (cruises):	1 per each 3 passengers and crew members

Water Transport. Offices: 1 per 100 square feet,  
minimum of 2

The parking requirements for the different uses within uplands MU-W2 zone vary. They range from 0.75 per 1,000 square feet for marine-related industrial uses to 5.0 per 1,000 square feet for restaurant use. Office and retail uses other than restaurant are 4.0 per 1,000 square feet.

Because the estimated value of the uplands independent of the tidelands is a required step in the valuation methodology to be presented in the following sections of this report, these zoning standards must be considered when analyzing the highest and best use and market value of the uplands independent of the tidelands.

### **Surrounding Influences:**

The subject property comprises the tidelands portion of the waterfront neighborhood known as the Lido Marina Village in the City of Newport Beach. This small commercial enclave is bounded by the Newport Harbor waterfront on the north and east, Newport Boulevard on the west and, on the south, Via Lido, a four-lane, partially divided arterial that connects Newport Boulevard with Lido Isle, the Lido Peninsula, and the local street system that feeds into Cannery Village.

The improvements in Lido Marina Village are generally in excess of 50 years of age and in poor to fair condition only. The primary tenants in the village are restaurants, a variety of small retail businesses, office professionals, and marine-oriented commercial services. At the date of value more than 50% of the area was unoccupied. A four-level parking structure, with a capacity of 373 vehicles, is located at the southeast corner of Central Avenue and Via Oporto. It has access from both Central Avenue and Via Lido.

The north side of Via Lido is improved with older retail buildings, several of which have second story offices. The Via Lido Plaza shopping center is situated opposite Lido Marina Village on the south line of the Via Lido. It is currently anchored by a Pavilions market with a variety of small retail, offices and restaurant operations. Plans are being developed for renovation of this shopping center in concert with the anticipated



## SURROUNDING INFLUENCES



View northerly of parking structure from Central Avenue.



View easterly of Via Oporto from Central Avenue.



View westerly of Via Oporto commercial buildings.



View westerly of retail, office and parking structure.

revitalization of Lido Marina Village and redevelopment of the soon-to-be-vacated City Hall site adjacent to the south. The broad parameters of the proposed redevelopment of Lido Marina Village include plans to retain its mix of restaurant, retail and office uses, but with the probable addition of residential in the upper floors of the new buildings. A boutique hotel is also being considered.

The waterfront to the southeast of the subject is improved with single-family and multi-family residences as well as a small sailing club facility. The BPOE building and adjacent parking area is located immediately to the west of the northern end of the subject tidelands. The Newport Boulevard bridge is within  $\pm 200$  feet to the west.

Lido Isle, which is located southeast of the subject across the West Lido Channel, is improved with primarily single-family homes with a limited number multi-family residences and community/recreational structures. The waterfront on Lido Isle is largely improved with private piers and docks and some beach moorings. The Lido Isle Yacht Club is on the south side of Lido Isle and has limited impact on the subject.

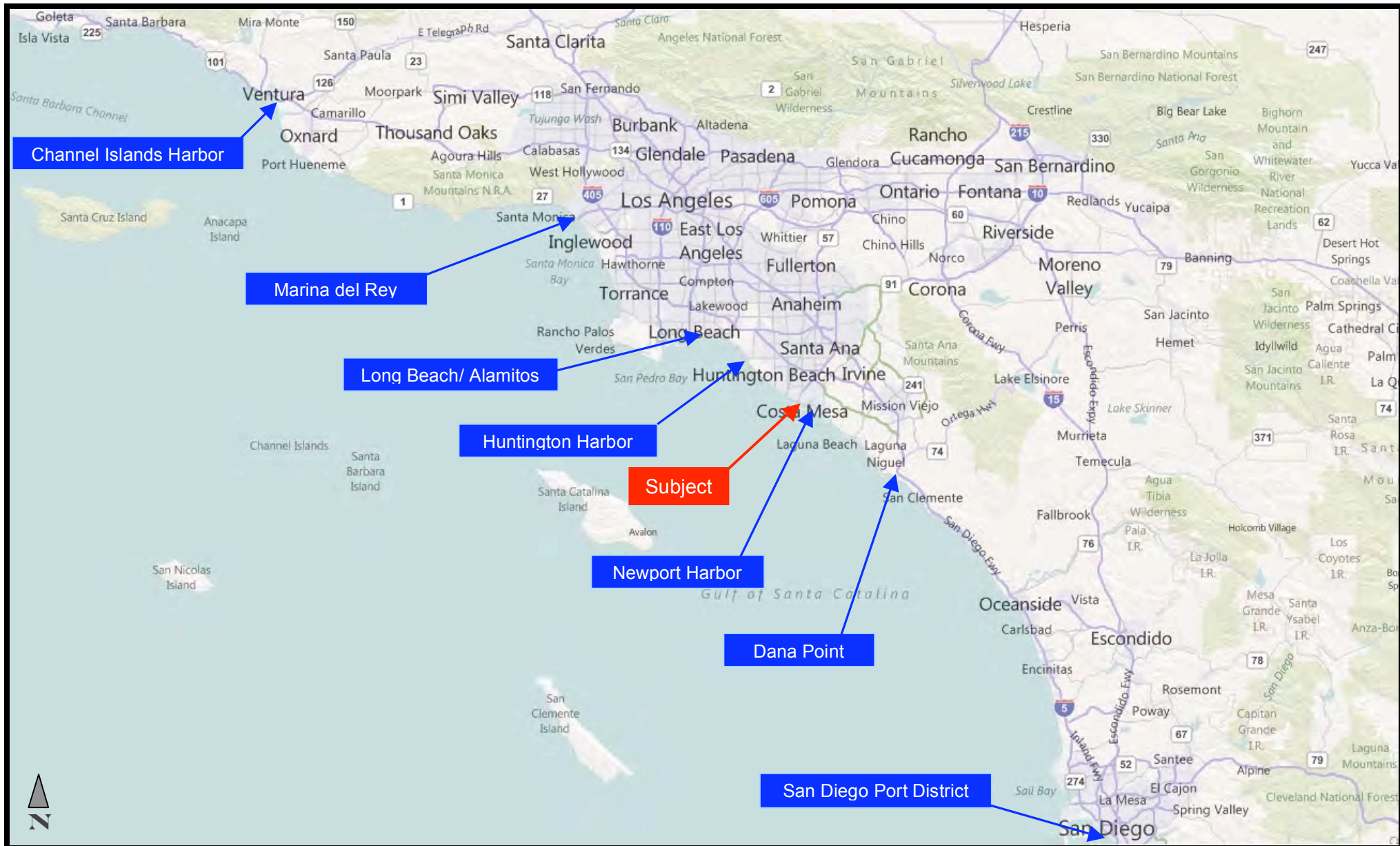
The subject is located at the far west end of the Newport Harbor. It faces a portion of the harbor known as the West End Turning Basin. The waterfront on the north side of this Turning Basin, opposite the subject, is improved with a number of marinas and slips of varying sizes and quality. Some are dedicated to use by private boat owners, and others serve commercial boating enterprises. The uplands associated with these marinas forms the westerly end of the section of the Pacific Coast Highway known as Mariner's Mile. The land is improved with restaurants, professional offices, retail businesses, a high-rise residential building, marine-oriented services, and parking and storage areas to support the marinas.

### **Current Use:**

The current configuration of the marina is an eclectic mix of slip sizes and dock structures that has resulted in a combination of tenants and users that, as will be shown in the following highest and best use section, does not, in our judgment, maximize the economic potential of the subject tidelands.



# REGIONAL MAP





The marina improvements are in poor to fair condition and are near the end of their economic life. There are approximately 60 slips with a total of 3,100 l.f., including sideties. The total revenue generated by slip rental in 2010 was reported to be \$853,613.

There is no parking provided by the marina for its tenants. Tenants can secure parking on a daily or monthly basis at the multi-story parking structure at the corner of Via Oporto and Central Avenue.

A more detailed description of the marina in its existing configuration is presented immediately below in the Property Productivity Analysis section of the Market Analysis.

### **Market Analysis:**

Newport Harbor, located on the central coast of Orange County, is one of the largest pleasure boat harbors in the world, with more than 2,200 marina slips, 1,200 offshore and onshore moorings, and 1,200 private residential piers. There are 25 miles of frontage in Newport Harbor. Tourism is an important part of the economy with estimates of daily visitors from the summer months ranging from 20,000 to in excess of 100,000.

Newport Harbor traditionally has the highest slip rents of any of the harbors of Southern California. Nonetheless, despite ever increasing rates, occupancy has remained near 100% for decades, with lengthy waiting lists for slips 35 feet and greater. The demand is due to the beauty of the harbor itself, the proximity to a wide range of amenities and yachting support services, as well as the affluence of the surrounding communities that can afford involvement in boating.

Once in the ocean, the yachtsman from Newport is within easy reach of a variety of destinations and safe harbors; Santa Catalina lies approximately 30 miles to the southwest, on the coast Dana Point is 14 miles to the southeast, Huntington Harbor and Long Beach are 8 and 20 miles to the northwest respectively.

## SUBJECT PHOTOS



View easterly showing public walkway and uplands commercial.



View northerly showing west end of marina with Harbor Towers Marina and Pacific Coast Highway fronting commercial on opposite side of channel.

Property Productivity Analysis:

The subject tidelands is well suited to marina development. It has over 960 feet of bulkhead frontage adjacent to the uplands and 100 feet of depth along most of that length. This provides reasonable marina design flexibility.

The subject location at the far western end of Newport Harbor provides both positive and negative influences. Some users prefer the immediate adjacency to the commercial district of the Lido area and the ready access to Newport Boulevard and Mariner's Mile. However, the market data tends to indicate that generally the greater the distance from the harbor entrance, the lower the rates that potential users are willing to pay.

In order to develop the following brief description of the condition, character and configuration of the improvements existing within the subject tidelands at the date of value, we took the following steps:

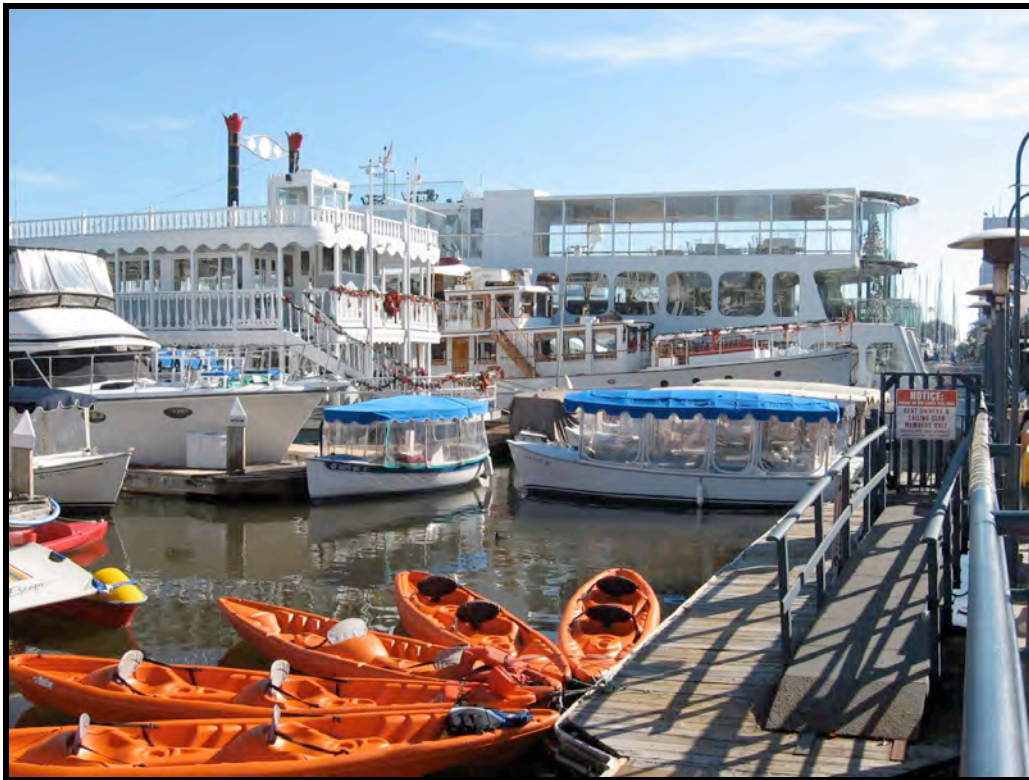
- We personally inspected the existing improvements;
- We referred to the dock lease exhibit prepared by Fuscoe Engineering (dated 10/19/07);
- We interviewed the current operations managers of the marina, Angela Brand and Mark Valentine;
- We reviewed current slip rent rolls;
- Although requested no financial records of the existing marina were available for review.

The conclusions which we reached regarding the existing improvements are summarized as follows:

1. Overall, the existing marina is judged to be in fair to poor condition. The improvements are in excess of 30 years of age. The dock fingers and ramps are in various states of repair; some portions have been reconstructed and are in acceptable condition while others have little remaining useful life. One



## SUBJECT PHOTOS



View easterly showing eclectic slip configuration and mix of uses.



View northwesterly showing lagoon, slips, sidetie.

large ramp, with full handicap access features, has been added, and is of good quality.

2. The configuration includes single and double slips, sideties and multi-vessel lagoons. The marina design has gone through various permutations since its initial construction in 1974. Its current configuration is, for the most part, incompatible with prevailing market preferences and does not meet the key criteria of the California Department of Boating and Waterways Marina Design Guidelines<sup>1</sup>. This eclectic blend of slip sizes and configurations has created a marina of disjointed use allocation, with 100 foot cruise ships in the immediate vicinity of kayak rentals.
3. Because of the intermittently piecemeal configuration, the mixture of space allotment is difficult to specifically identify. However, the following allocation of slips has been estimated:

35' to 45' slips:	15
50' to 55' slips:	21
80' cruise:	1
100' cruise:	4
50' sideties:	6
Open lagoons:	11 to 14

4. The estimated total lineal footage of slips and sideties in the marina is approximately 3,105 lineal feet.
5. The total annual (2010) slip rental was reportedly \$853,613.
6. Current asking slip rental rates per lineal foot per month:

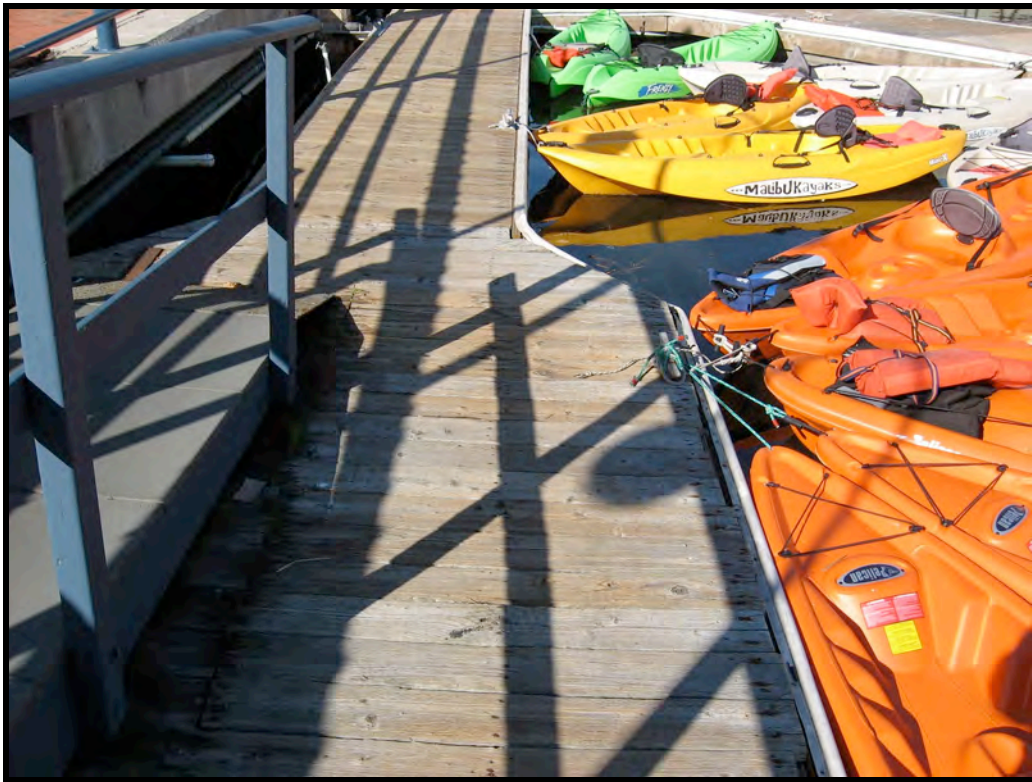
30' to 39':	\$35.00
40' to 49':	\$38.00
50' to 59':	\$41.00
60' up:	\$45.00

7. The vacancy factor is estimated to be 10% - 12%.

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<sup>1</sup> <http://www.dbw.ca.gov/TechDocs/MarinaGuide.aspx>

## SUBJECT PHOTOS



View westerly showing ramp and dock finger in fair condition.



Typical dockbox and amenities with electrical and water hookups.



8. Parking is obtained by the slip tenants themselves and is not provided with the slip rental payment. Parking passes are available at the 373 space multi-deck parking garage at Via Oporto and Central Avenue. The cost is \$85 per month or \$10 per day for unreserved spaces. The location is  $\pm 600'$  westerly of the easterly boundary of the marina and  $\pm 200'$  southerly of the westerly limit of the tidelands.
9. Three public restrooms, which are available to the boat owners, are located in the Lido Marina Village.

Marina Demand Factors:

The table below shows boat registration by size category for the last five years in California. While the economic downturn may have slightly slowed boating activity, the table shows a general stability over time.

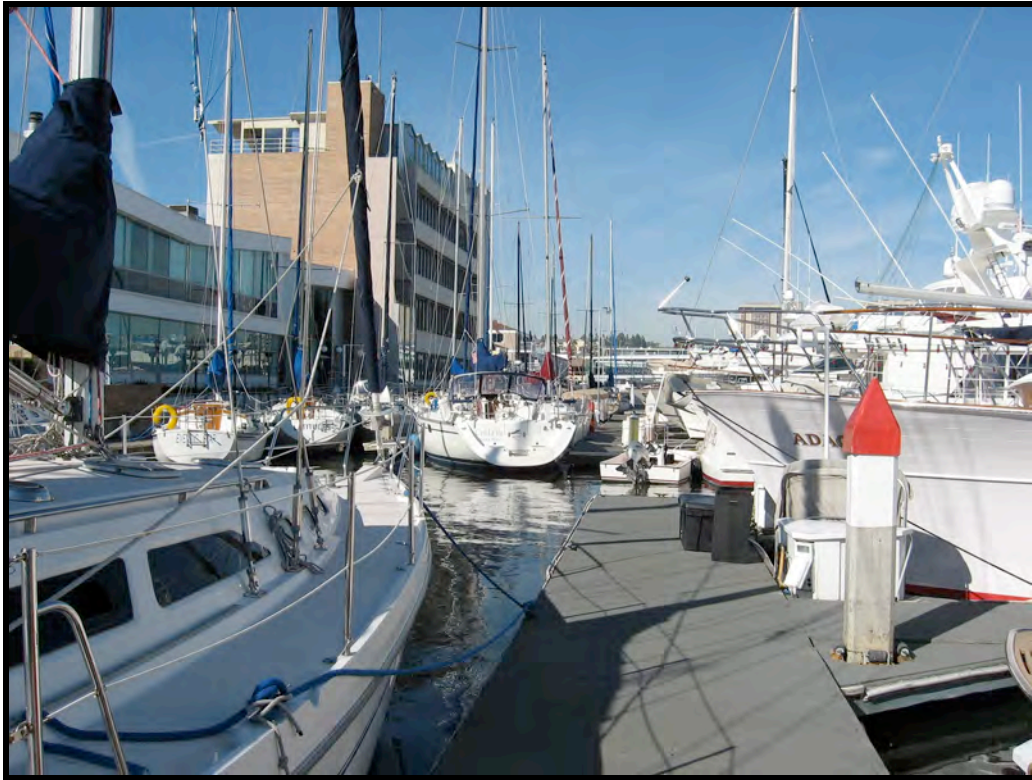
Year	20' - 26'	26' - 40'	40' - 65'	Over 65'
2005	172,519	40,979	5,427	1,524
2006	172,021	38,730	5,045	1,451
2007	185,719	41,442	5,335	1,605
2008	172,684	37,744	4,934	1,436
2009	181,094	39,705	5,143	1,565

Source: California Department of Motor Vehicles

As mentioned above, Newport Harbor is considered one of the most attractive pleasure boat harbors on the Southern California coast. It draws yachtsman from all across the region. The demand for good commercial slip space has remained effectively unabated for the past several decades. Occupancy rates have hovered near 100% for slips 35 l.f. or greater, with significant waiting lists at nearly all marinas in the higher size categories.

One phenomenon that has become apparent, as the boating community has evolved over the past 30 – 40 years, is that vessel size has steadily increased, with a corresponding demand for larger slips, in terms of both length and beam. Over time, portions of various marinas have been repaired and reconstructed to meet this changing character in slip demand, with the result that the average slip length in

## SUBJECT PHOTOS



View westerly from east end of marina.

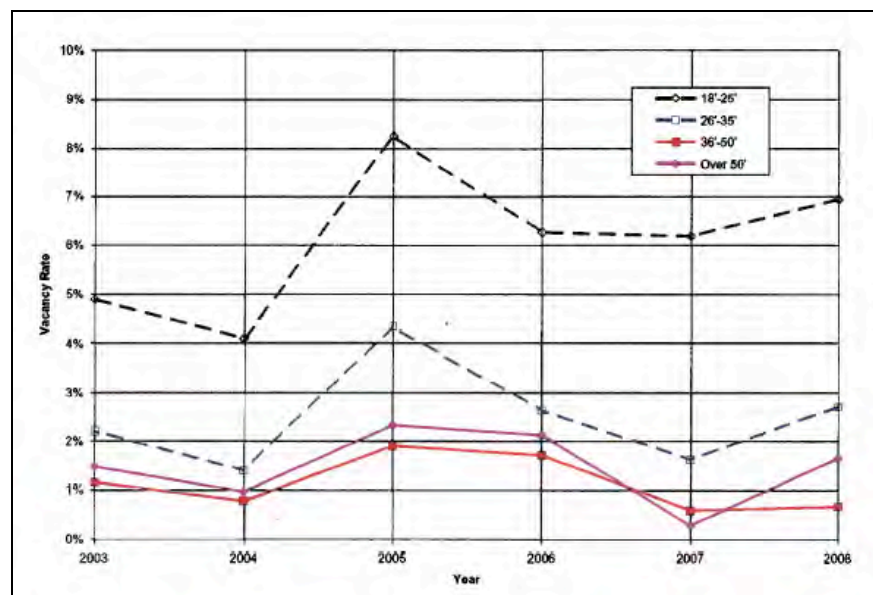


View west of vacant lagoon with commercial uplands.



most marinas has increased. The table on the following page shows the impact of this development in several marinas throughout Southern California as well as two in Northern California.

The demand for larger slips has been driven by increased vessel size, but also by the fact that dry storage, some stacked, has become an increasingly viable alternative for boats less than 30 feet in length. This shift in demand is underscored by the following table<sup>2</sup>, which shows the vacancy rate by boat size in Marina del Rey from 2003 – 2008.



This trend toward increasing boat size is supported by the table<sup>3</sup> below that shows the percent change in boat registration by size category, from the base year of 1996 through 2007.

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<sup>2</sup> Ibid

<sup>3</sup> Ibid

<b>Marina</b>	<b>Total Slips</b>	<b>Average Slip Length</b>
Cabrillo Isle Marina, San Diego		
1976	406	38.0
2005	404	39.4
Dana Point Marina, Dana Point		
1969	1,467	33.0
Proposed	1,285	33.4
Sunset Aquatic Park, Hunt. Beach		
Before Reconfiguration	252	30.5
After Reconfiguration	237	32.8
Peter's Landing Marina, H. B.		
Before Reconfiguration	300	39.0
After Reconfiguration	286	40.5
Long Beach Downtown Marinas		
Existing	1,769	35.9
Proposed	1,679	36.7
Alamitos Bay Marina, L.B.		
Existing	1,997	31.5
Proposed	1,647	35.8
Cabrillo Way Marina, San Pedro		
Existing	625	34.3
Proposed	697	45.6
Marina del Rey		
2008	4,731	33.9
Proposed	4,255	36.4
Anacapa Isle Marina, Oxnard		
1974	504	30.2
1987	389	33.4
Bahia Marina, Oxnard		
1973	70	38.0
2009	82	52.8
Peninsula Marina, Oxnard		
1970	341	33.7
2009	292	47.3
Ventura Isle Marina, Ventura		
1973	625	31.5
1992	519	38.8
Treasure Isle Marina, San Francisco		
1950	105	31.5
2009	403	38.8
Ballena Isle Marina, Alameda		
1974	442	34.5
2010	373	43.8
Total All Marinas (ex. MdR)		
Before	8,903	33.6
After	8,293	38.0

Source: Marina del Rey Slip Sizing Study, Noble Consultants, Inc., 3/11/09.

## PROPERTY DESCRIPTION – continued

Year	Under 16'	16' to less than 26'	26' to less than 40'	40' and larger	Total
2007	0.5%	24.5%	75.3%	68.3%	14.6%
2006	-0.1%	23.3%	52.2%	61.5%	13.0%
2005	2.9%	24.3%	51.0%	63.8%	14.9%
2004	4.1%	20.9%	48.0%	59.9%	13.7%
2003	6.0%	19.9%	44.6%	46.9%	14.0%
2002	7.2%	18.1%	57.8%	43.8%	14.1%
2001	12.5%	17.2%	40.7%	43.5%	15.8%
2000	7.4%	13.4%	35.0%	36.6%	11.2%
1999	11.1%	13.4%	31.8%	24.2%	12.9%
1998	11.7%	10.2%	26.5%	19.3%	11.4%
1997	13.7%	7.5%	22.5%	16.5%	11.0%
1996	0.0%	0.0%	0.0%	0.0%	0.0%

The primary elements of comparison that distinguish the different commercial marinas in Newport Harbor from one another are location, the physical features of the marina, and access to amenities. For example, the subject's location requires a lengthy running time to the harbor entrance, yet the immediate surrounding influences, with a variety shore-based amenities, is of considerable appeal to many users who come from outside the immediate Newport Beach area and use the boat and slip for weekend and holiday accommodation without setting sail.

### Competitive Supply:

There are thirteen marinas in Newport Harbor with over thirty slips. Those most comparable to the subject, as strictly commercial marinas, without the influences of club membership, or other, non-market issues are presented below with a brief description:

#### THE HARBOR MARINA:

Number of slips:	51
Occupancy:	98%
Time to Harbor Entrance:	45 minutes
Amenities:	Restrooms
Remarks:	Adjacent Pacific Coast Highway and across the channel from the subject. Good access but impacted by traffic noise and pollution.

## MARINA RENTAL RATES

### HARBOR TOWER MARINA

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



20 to 29 Feet	\$19.50
30 to 39 Feet	\$24.00
40 to 49 Feet (inside slip)	\$37.00
40 to 49 Feet (outside slip)	\$38.00
50 to 59 Feet	\$41.00
60 to 69 Feet	\$45.00

### BELLPORT LIDO YACHT ANCHORAGE

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



6 to 15 Feet	\$18.25
16 to 20 Feet	\$19.00
21 to 31 Feet	\$19.50
20 to 32 Feet	\$21.50
32 Feet	\$24.00
34 to 44 Feet	\$25.00
37 Feet	\$25.00
40 to 44 Feet	\$30.00
50 Feet	\$31.50
60 to 63 Feet	\$35.00
73 to 79 Feet	\$35.00
83 to 86 Feet	\$43.20
110 to 135 Feet	\$43.20

### VILLA COVE MARINA

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



22 Feet	\$22.68
30 Feet	\$27.08
45 Feet	\$36.46

PROPERTY DESCRIPTION – continued

Positive adjacency to  
amenities in Mariner's Mile.

LIDO PENINSULA YACHT ANCHORAGE:

Number of slips:	265
Occupancy:	99% (vacancies all 28' or less)
Time to Harbor Entrance:	45 minutes
Amenities:	Dock box, showers, restrooms, free parking.
Remarks:	Adjacent to Lido Peninsula amenities. Includes some very large (>90') slips.

VILLA COVE MARINA:

Number of slips:	40
Occupancy:	100%
Time to Harbor Entrance:	20 - 35 minutes (power – sail)
Amenities:	Dock box, showers, restrooms, free parking.
Remarks:	Adjacent to Balboa Island amenities. West side of bridge, so longer travel time to harbor entrance if sail.

BAYSHORES MARINA:

Number of slips:	134
Occupancy:	100%
Time to Harbor Entrance:	30 minutes
Amenities:	Dock box, showers, restrooms, free parking. Basic but well-maintained.
Remarks:	Located in gated community. Off-site amenities not within walking distance.

**BAYSHORES MARINA**

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



15 Feet	\$23.72
17 Feet	\$23.75
20 Feet	\$23.80
23 Feet	\$23.85
26 Feet	\$25.45
32 Feet	\$31.00
38 Feet	\$32.94
39 Feet	\$32.94
60 Feet	\$50.34
68 Feet	\$50.34
83 Feet	\$57.00

**BALBOA MARINA**

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



20 Feet	\$20.60
22 Feet	\$23.36
25 Feet	\$26.44
28 Feet	\$31.06
30 Feet	\$32.60
32 Feet	\$31.00
34 Feet	\$33.28
36 Feet	\$35.56
40 Feet	\$40.15
50 Feet	\$44.73
58 Feet	\$50.34

**BAYSIDE MARINA**

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



20 Feet (inside side tie)	\$19.31
15 Feet (outside side tie)	\$23.21
20 Feet (outside side tie)	\$23.24
22 Feet (side tie)	\$23.27
30 Feet	\$31.65
35 Feet	\$33.22
42 Feet	\$39.62
45 Feet	\$41.84
60 Feet	\$49.07
65 Feet	\$52.03
74 Feet	\$54.95

PROPERTY DESCRIPTION – continued

BALBOA MARINA:

Number of slips:	132
Occupancy:	100%
Time to Harbor Entrance:	25 - 35 minutes (power – sail)
Amenities:	Dock box, showers, restrooms, free parking.
Remarks:	Adjacent to PCH Bridge/ Linda Isle. Airport overflight.

BAYSIDE MARINA:

Number of slips:	102
Occupancy:	100%
Time to Harbor Entrance:	10-15 minutes
Amenities:	Dock box, showers, restrooms, free parking.
Remarks:	Good street access, close to Balboa Island amenities.

BALBOA YACHT BASIN:

Number of slips:	173
Occupancy:	100%
Time to Harbor Entrance:	20 - 35 minutes (power – sail)
Amenities:	Dock box, showers, restrooms, free parking.
Remarks:	Good land access, adjacent marine supply store and boatyard. City owned and operated. Bridge forces longer journey to harbor opening for sail and many power boats.

NEWPORT DUNES RESORT MARINA:

Number of slips:	450
Occupancy:	97%
Time to Harbor Entrance:	40 minutes (must pass under bridge)



## BALBOA YACHT BASIN

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



31 to 39 Feet

\$18.00

40 to 49 Feet

\$19.00

50 Feet and over

\$23.00

## NEWPORT DUNES RESORT MARINA

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



29 Feet & Under

\$23.75

30 to 33 Feet

\$29.00

\$31.25

40 to 45 Feet

\$39.50

46 Feet & Over

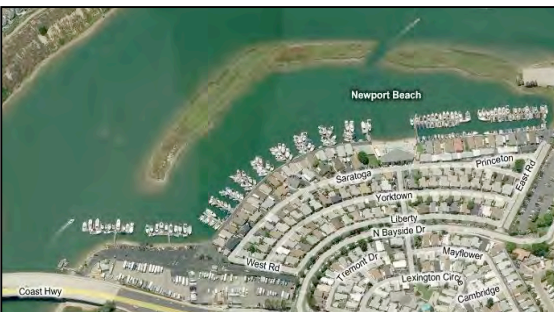
\$42.00

## DEANZA BAYSIDE VILLAGE MARINA

Newport Beach

Slip Length (Lineal Feet)

Monthly Rent/L.F.



12 to 19 Feet

\$19.00

20 to 29 Feet

\$20.00

30 to 35 Feet

\$25.00

36 to 39 Feet

\$26.00

40 to 45 Feet

\$32.00

46 to 50 Feet

\$35.00

Super Slips

\$35.00

Double Loaders

\$38.25



PROPERTY DESCRIPTION – continued

Amenities: Dock box, showers, restrooms, free parking.  
Remarks: Clubhouse, pool/spa, boat launch, dry storage and wash rack. Good parking and security. Major negative influence of being inland of the bridge.

DEANZA BAYSIDE VILLAGE MARINA:

Number of slips: 220  
Occupancy: 85%  
Time to Harbor Entrance: 40 minutes (must pass under bridge)  
Amenities: Dock box, showers, restrooms, free parking.  
Remarks: Limited amenities, standard features. Inland side of bridge.

The fact that demand has remained strong is shown by a comparison of slip rental rates at various marinas within Newport Harbor in late 2006 with rates in late 2010 (during the supposed downturn). A 50' slip was used as the basis of comparison.

<u>Marina</u>	<u>2006 Rate</u>	<u>2010 Rate</u>
Harbor Tower	\$35.00	\$41.00
Lido Peninsula	\$24.25	\$31.50
Villa Cove (45')	\$32.25	\$36.46
Bayshores (60')	\$41.25	\$50.34
Balboa	\$31.00	\$44.73
Bayside (45')	\$23.00	\$23.00 <sup>4</sup>

Occupancy in the >45' category at all these marinas is effectively 100%, with waiting lists of up to 10 years. This phenomenon is repeated at nearly all the marinas up and down the Southern California coast. The increasing size of vessels in the

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<sup>4</sup> It is reported that this city-operated marina will have significant price hikes in the near future.

yachting community, in conjunction with original marina design configurations weighted towards the <35' category, has created strong demand for good quality slips in excess of 50 feet. Furthermore, the owners of the larger yachts tend to have the financial resources to be insulated from the fluctuating financial forces that can have a significant impact on the yacht affordability of mid-level boat owners.

Subject Capture:

The waiting lists at the existing marinas for the large slips indicate that there is significant pent-up demand for this category of marina product. With its 100 feet of depth from bulkhead to pierhead line, the subject property is well-suited to accommodate the larger slip sizes that are in such high demand.

While it's location at the western end of the harbor would diminish its appeal to some potential tenants, its adjacency to the commercial district of the Lido area and the ready access to Newport Boulevard and Mariner's Mile would offset that issue for many users. Furthermore, an offering of large slips at the subject location, even with the distance to the jetty, would be far more attractive to those boat owners who have been forced berth their yachts in other harbors, such as Long Beach or Huntington Harbor, than remaining excluded from the many appeals of Newport Harbor.

In summary, our analysis of the market evidence indicates that new, well-designed marina at the subject tidelands, improved with all the amenities that the owners of larger yachts would expect, should meet with positive market acceptance.

**Highest and Best Use - Introduction:**

The highest and best of the subject tidelands was analyzed, both as though vacant and as improved. This analysis considers the market forces, land use regulations, and physical characteristics of the property described in the preceding sections to arrive at conclusions of optimum use for the subject property.

**Highest and Best Use – Defined:**

*The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.*

(Source: The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute)

Highest and best use is appropriately analyzed through the filter of the four following criteria:

**Physically Possible:**

The subject property's overall size and dimensions must be of sufficient magnitude to accommodate the proposed use. For improved properties, the size, design, and condition of the structure must be able to accommodate the use without unjustified expense.

**Legally Permissible:**

The proposed use must conform to existing land use regulations such as general plan designation, zoning ordinances, environmental restrictions, building codes, or other governmental regulations. The use must also be compatible with private limitations such as deed restrictions, easements, leases, and any Covenants, Conditions and Restrictions (CC&R's), if applicable.

**Financially Feasible:**

Uses that first meet the above criteria of physically possible and legally permissible are then tested for financial feasibility. Uses that are expected to produce a positive return are considered financially feasible. A positive return is generated when income exceeds the amount required to pay operating expenses, financial obligations, and capital amortization expenses.

Maximally Productive:

The highest and best use is that financially feasible use, which is both physically possible and legally permissible, and which produces the highest value as of the effective date of the appraisal.

**Highest and Best Use of the Land as Though Vacant – Analysis:**

Potential marina configurations for the subject tidelands were tested against the above criteria. The purpose of this study is to determine, if the tidelands were vacant, what would of the marina be that would yield the greatest return, considering such factors such as slip size, potential rent, and vacancy considerations.

Water/ Land Relationship:

In 2001 this firm reviewed the physical characteristics of most of the marinas in Newport Harbor. We found the following typical relationships:

1. At 0.75 parking space per slip ratio, the amount of upland land area required for each slip is equivalent to 0.75 x 350 square feet, or 263 square feet per slip.
2. For every lineal foot of berthing, 35.2 square feet of water area and 7.3 square feet of upland are required.
3. Typically, 1,249 square feet of water and 263 square feet of uplands are required per slip.
4. Existing Area Ratios:

Land:  $7.3 \text{ sq. ft. Land} \div (7.3 \text{ sq. ft. Land} + 35.2 \text{ sq. ft. Water}) = 17.2\%$

Water:  $35.2 \text{ sq. ft. Water} \div (7.3 \text{ sq. ft. Land} + 35.2 \text{ sq. ft. Water}) = 82.8\%$

At the time of this survey the average slip length of the typical marina was 35.5 lineal feet per slip. As the foregoing discussion in the market analysis section indicated, the trend throughout the yachting community is for larger boats. And with greater length also comes greater beam. The data indicates that, since the 1960's, boat beams have increased





by about two feet for sailboats and up to four feet for power boats<sup>5</sup>. This, in turn, translates to a demand for greater total area per slip and results in fewer slips within the same tidelands area. With fewer slips the number of parking spaces required is reduced. As a result of these interrelated phenomena, the area ratios between land and water is skewed towards an increase in the percentage of water because of the reduced uplands area requirement.

We reviewed three options for proposed slip configurations at the subject tidelands that were prepared by Cash & Associates for the present owner. They indicate the following:

Option	Number of Slips	Total (L.F.)	Tideland Area	
			Per Slip (S.F.)	S.F./ L.F.
1	47	2410	1991	38.83 s.f.
2	49	2251	1910	38.18 s.f.
3	Small Charter Plan		85% - 25' to 35'	N/A

An additional slip configuration which we were able to review was prepared by a marina architect for an experienced marina development company. It recommended the following:

Number of Slips:	38
Lineal Feet:	2,346 feet
Tideland Area:	
Per Slip:	2,463 sq. ft.
Per Ln. Ft.:	39.95 feet

Based upon our studies of market demand in Newport Harbor and elsewhere, we formed the opinion that the maximally productive marina configuration at the subject tidelands, if vacant and available for development at the date of value, would include the following criteria:

Tidelands Area:	93,600 square feet
Pierhead Depth:	100 feet

<sup>5</sup> Marina del Rey Slip Sizing Study, 3/11/09, pg. 30.



PROPERTY DESCRIPTION - continued

Permitted Extension	
Beyond Pierhead:	Beam width
Lineal Feet of Slips:	2,500± feet
Number of Slips:	40
Average Slip Length:	62.5 feet

This opinion of the highest and best use configuration of the tidelands carries with it an implicit uplands land area requirement. As discussed previously, the zoning standard at the subject requires 0.75 parking spaces per slip for marina use. With 40 slips this translates to a need for 30 parking spaces to serve the proposed marina. The office area will require an additional two spaces. Each parking space is considered to require 350 square feet of land.

Therefore, under the highest and best use marina configuration, the uplands land requirement is established as follows:

32 parking spaces @ 350 sq. ft./ space =	11,200 sq. ft.
Office, bathrooms, storage =	<u>500 sq. ft.</u>
Total uplands area required:	11,700 sq. ft.

**Highest and Best Use as Improved – Analysis:**

This analysis of the highest and best use of the tidelands, as currently improved, has two purposes. The first is to identify the use of the property that will have the highest return for the capital invested. This involves analysis of whether the current use is maximally productive, or if an alternative or modified use should be considered.

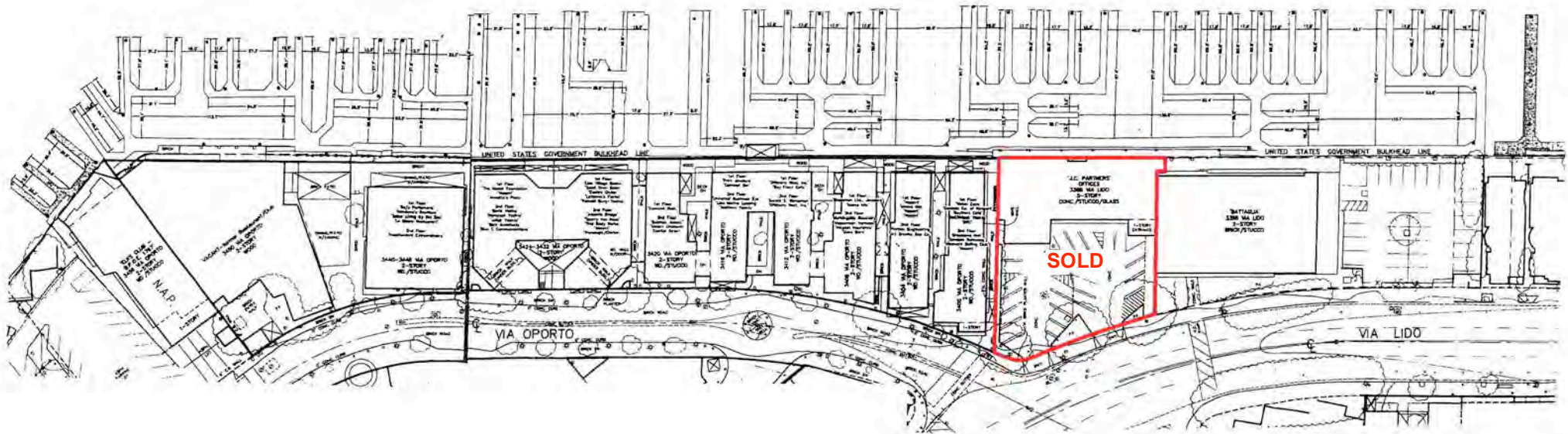
After identifying the significant differences between the existing and the ideal improvements (highest and best use, as vacant), the four tests of legally permissible, physically possible, financially feasible, and maximally productive will be applied to determine if the modifications are appropriate to bring the existing improvement into conformity with the ideal improvement.

The Existing Use:

The drawing on the following page shows the current layout of subject marina. A portion of the uplands with its affiliated



## SUBJECT MARINA LAYOUT



proportion of the marina is designated as “sold”; however, at the client’s request, we considered the totality of the marina as if under common ownership and control.

Measured slip dimensions were not available for review. However, by referring to the facing document, aerial photography analysis, and personal inspection, the following configuration was estimated:

SLIP SIZE (Ft.)	NUMBER OF SLIPS	TOTAL (Ln. Ft.)
35	2	70
40	13	520
50	20	1,000
55	1	55
80 (Cruise)	1	80
100 (Cruise)	4	400
Open Space	<u>11-14</u>	<u>680</u>
	52-55	2,805
± 50 Ft. Sideties	6	300
<b>Gross</b>	<b>58-61</b>	<b>3,105</b>

While the existing improvements do generate significant gross income, it is our judgment that a well-informed buyer of the subject would consider them to have a limited remaining economic life. The physical condition of the docks is generally poor, the configuration of the slips lacks coherence, and the overall appearance of the marina has restricted market appeal.

Because there is undoubtedly some utility remaining in the existing marina, our opinion of highest and best use, as improved, is to continue the current operation utilizing the existing improvements for the short term. This should be followed in the near future by a phased program of demolition and redevelopment of the marina to a quality, size, and configuration appropriate to meet the demands of the boating market.

This planned program of highest and best use for the subject property, as currently improved, must be tested against the four following criteria:

Legally Permissible:

While the existing marina may be inconsistent with current regulations, it is established as legal non-conforming structure. Redevelopment would be carried out under current land use controls and in keeping with the *Guidelines for Marina Berthing Facilities (Layout and Design)* published by the California Department of Boating and Waterways in July 2005.

Physically Possible:

The tidelands have been in existence as a marina for over 35 years. Size, shape, pierhead length and assumed accessibility are appropriate for the proposed use.

Financially Feasible:

Due to the age, condition and configuration of the existing marina, in our opinion a well-informed buyer would not consider continuation of the existing improvement for any considered period as financially feasible. A phased reconstruction program would allow continuation of cash flow and retention of slip tenants during the redevelopment process.

Maximally Productive:

A scheduled plan of phased redevelopment would allow the subject property to meet the demands of the yachting community in terms of marina configuration, availability of services, and amenities of location and surrounding influences with a resulting maximization of the long-term net profitability of the subject leasehold.

**Highest and Best Use as Improved – Conclusion:**

In our judgment, the highest and best use of the subject tidelands, with the extraordinary assumption of having the appropriate and necessary rights in the adjacent uplands, is to for short-term continuation of its

PROPERTY DESCRIPTION – continued

existing use while phased demolition and redevelopment occurs. It is reasonable to estimate that this program of development would take five years total. The first would be dedicated generating the marina design plans and obtaining the necessary approvals. This would be followed by four years of phased redevelopment, with 25% of the existing marina being replaced by new improvements each year.



## VALUATION

### Introduction:

While the subject of this market rent value estimate is the described 93,600 square feet of submerged tidelands (water only) at Lido Marina Village, the rights that we are appraising are not limited to that property only. By an extraordinary assumption, it also includes the right of use of occupancy of adjacent upland properties. This includes land and/or improvements sufficient to accommodate the amount of off-street parking facilities required by current zoning ordinances related to marina uses. That requirement, at date of value, was equivalent to 0.75 parking spaces per marina slip.

In addition, sufficient space must be made available for restrooms, showers, a marina office, and the minimum storage improvements necessary for marina operations. While such properties are to be considered available, it is further assumed that the tidelands marina operator will be required to pay an amount equivalent to market rent, or a reasonable rental return on the necessary upland land and improvements, for the rights of use and occupancy of the property.

We made extensive investigations of numerous sources involved in long-term marina leases, but we were unable to uncover any recent leases that involved tidelands (water) only. Those leases which were available for review - and there were many - included submerged tidelands (water) and sufficient adjacent uplands to accommodate the parking, office space, restrooms and storage areas necessary to meet the requirements of marina operations.

Utilizing this wealth of data regarding the level of rents being paid under formalized contracts for land and tidelands *in joinder* we can, by comparability analysis, form a supportable opinion of the market value of the subject property *if it included equivalent upland land mass*. The almost universal percentage rate employed in these agreements is currently 25% of gross marina revenue.

The appraisal problem is to develop a supportable estimate of what portion of these joinder rates can be allocated between the uplands and the tidelands. This is required in this valuation of market rent because the subject property is comprised of tidelands only.

The procedure used in order to achieve this estimate involves quantification of the economic burden to fund the cost of land (and/or improvements) of a size and character sufficient to accommodate the marina requirements of parking, restrooms, office facility, and storage.

Once this estimate of the uplands allocation is obtained, it can be deducted from the established “in joinder” market rent of 25% of gross revenues to impute a residual rate applicable to the tidelands alone. This is the ultimate purpose of this appraisal.

## PERCENTAGE RENT ANALYSIS

### Percentage Rent In Joinder:

In Southern California, most marina developments are constructed on publicly owned projects under the jurisdiction of a governmental entity such as City, County, or Port District. The improvements are typically built by the lessee pursuant to long-term leases of land and water in joinder. The marina projects and governmental jurisdictions that were surveyed are:

PROJECT	JURISDICTION
San Diego Bay	Port of San Diego
Mission Bay	City of San Diego
Oceanside Harbor	Oceanside Harbor District
Newport Harbor	Private/ City/ County
Sunset Aquatic Park	County of Orange/ Private
Long Beach Marina	City of Long Beach
Downtown Shoreline Marina	City of Long Beach
Los Angeles Harbor	Port of Los Angeles
Marina del Rey	County of Los Angeles
King Harbor	City of Redondo Beach
Channel Islands Harbor – Oxnard	County of Ventura
Ventura Marina	Ventura Port District
Santa Barbara Harbor	City of Santa Barbara

We made a detailed study of the coastal marinas in the above areas to determine rent levels paid and percentage rents charged in similar commercial lessee-lessor relationships. According to the records of the Department of Navigation and Ocean Development, less than 10% of the berthing spaces in Southern California involve privately owned uplands. Most of these privately owned marinas are in Newport Harbor.

The survey data for marina percentage rent found at various harbors throughout Southern California are summarized below. This market information was confirmed with managers, lessors and operators. A comparative analysis between the data items and the subject was made. In our judgment the data most pertinent to this valuation was found in Orange and Los Angeles Counties.

We were able to find only two lessees, both of which are in Newport Harbor, that include tidelands only, like the subject. They will be discussed in more detail separately. These were determined not to reflect arm's length open market transactions.

A summary of representative examples of percentage rent levels in some of these jurisdictions is presented below.

#### **Southern California Marina Land Lease Survey:**

<b>Jurisdiction</b>	<b>Slip Rents</b>
San Diego Port District	22%
City of San Diego	25%; Some 20%
Dunes, Newport Beach	25% Bridge Restricted
Bay Club Newport	31% (Pt. Bay Club Lease)
Huntington Harbor	Graduated 25% to 35%
Marina del Rey	25%
Redondo Beach	25% to 27%
Ventura Harbor	23.5%
Channel Islands Harbor	25%

Recent interviews with participants active in lease negotiations indicated that San Diego Port District, City of San Diego and Ventura Harbor are all attempting to establish a consistent rate of 25%.

In Redondo Beach, a recent arbitration determined a percentage rate to 25%, even though an older lease remains at 27%. Of the 23 marinas in

Marina del Rey, at the date of value all but three were at 25%. The others were at 20%.

There is no evidence that these percentage rents will be adjusted in the near future even though slip rates in the newer projects are currently renting at levels approaching those found in Newport Harbor. The proposed Marina del Rey Hotel Marina will reportedly be subject to a rental at 25% of the gross revenue.

### **Percentage Rent In Joinder - Conclusion:**

From the panorama of empirical data presented above, it is apparent that 25% of slip revenue is almost universally accepted as an appropriate percentage to be applied to leases of marinas with uplands and tidelands operating in joinder. Accordingly, we concluded that a rental rate of 25% of gross revenues at the subject property would be well-supported if the tidelands and appropriate uplands were available in joinder.

**Percentage Rental Rate – Tidelands & Upland in Joinder: 25%**

### **Estimated Slip Revenue at Highest and Best Use:**

In the previous market analysis section of this report, the current asking slip rental rates of seven marinas in Newport Harbor were presented. They are summarized as follows:

<b>Marina</b>	<b>30' to 39'</b>	<b>40' to 49'</b>	<b>50' to 59'</b>	<b>60' to 75'</b>
Harbor Tower	\$24.00	\$37-\$38	\$41.00	\$45.00
Balboa Marina	\$31-\$36	\$40-\$42	NA	\$49-\$50
Bayside Marina	\$31-\$33	NA	NA	\$50-\$57
Villa Cove	\$27.00	\$36.46	NA	NA
Lido Yacht Anchorage	\$24-\$25	\$30.00	\$31.50	\$35.00
DeAnza Bayside Village	\$25-\$26	\$32.35	NA	\$35.00
Newport Dunes Resort	\$29.31	\$39.50	\$42.00	\$42.00
Existing Subject Marina	\$35.00	\$38.00	\$41.00	\$45.00

A comparative analysis of these data with the subject, considered as a new marina, was undertaken. Harbor location, access (land and water), neighboring influences and amenities, the quality and condition of a new improvement and other factors were

studied. Our investigations indicated that the negative aspect of the subject's distance to the harbor opening is in many ways offset by its proximity to nearby restaurants, shopping and other land-based features. This was supported by the data at the Harbor Tower Marina across the bay and the fact that a large number of boat owners use their yachts as weekend and seasonal residences.

As a result of the comparative analysis, we concluded that an average slip rental rate of \$40 per lineal foot per month is an appropriate rate for the proposed subject.

Concluded Average Slip Rate:           \$40 per lineal foot per month

Potential Gross Slip Rental Income at Highest & Best Use:

2,500 lineal feet @ \$40/lineal feet per month x 12:     \$1,200,000

Vacancy:

As discussed earlier there are waiting lists throughout Newport Harbor and the region for the larger slip sizes of which, it is reasonable to project, the subject would be almost exclusively composed. Therefore, it is unlikely that there would be much long-term vacancy once occupancy is stabilized at the new marina. However, there will be a normal turnover of tenants that must be considered. Accordingly, we have used a frictional vacancy rate of 3% in our analysis.

Potential Gross Income:	\$1,200,000
Less Vacancy:	<u>(\$36,000)</u>
Effective Gross Income:	\$1,164,000

Accordingly, it is our judgment that the well-informed lessee of the subject tidelands would anticipate that, at highest and best use, the marina would generate an effective gross income of \$1,164,000 per year.

**Effective Gross Income:                   \$1,164,000 per year**

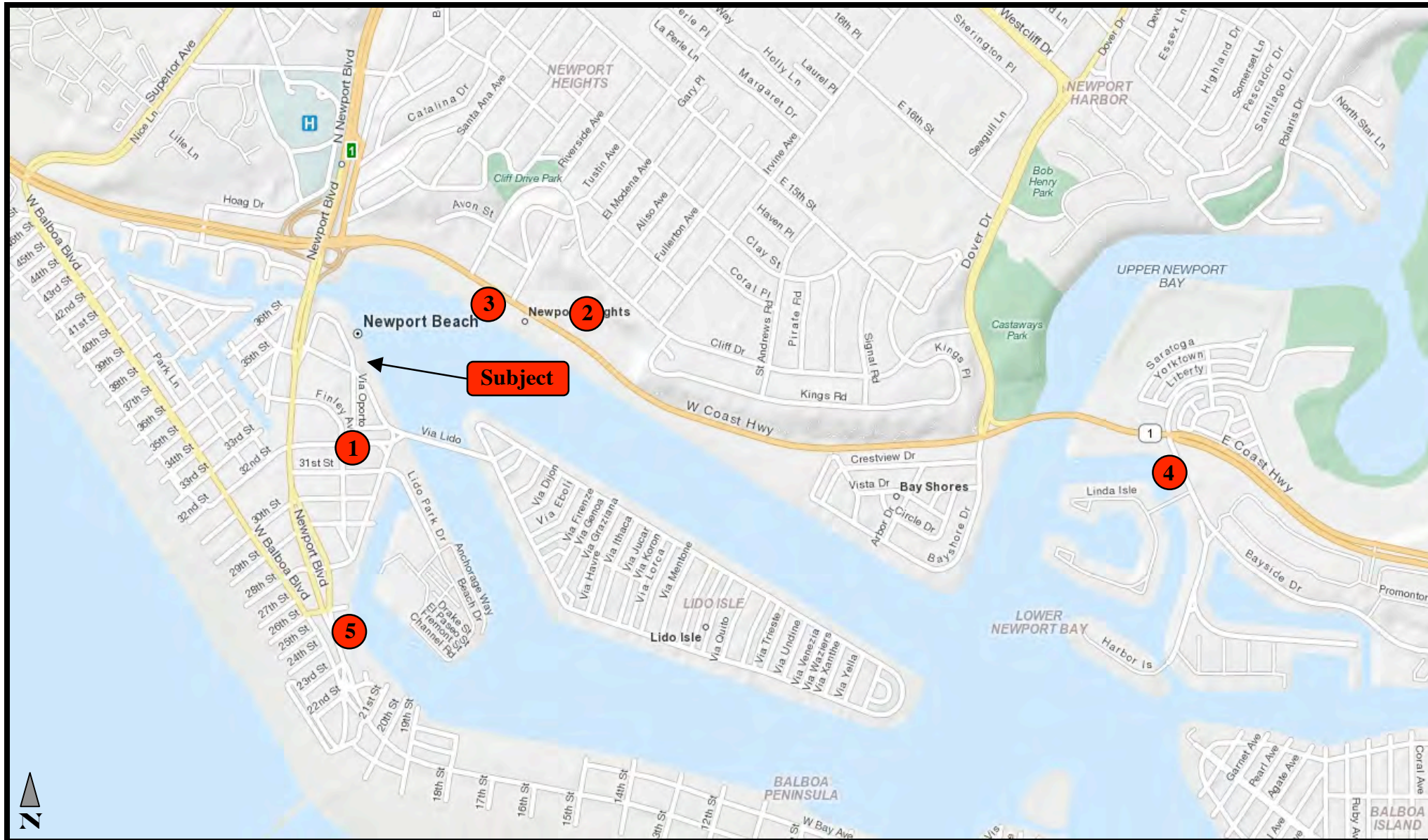
**DRAFT**



## SUMMARY OF PERTINENT SALES DATA

Sale No.	Location	APN	Size (S. F.)	Date of Sale	Price	Remarks
<u>NON-BAY FRONT:</u>						
1	505 31st Street	047-031-03	8,370	7/29/10	\$1,901,000	\$227 psf - Cannery Village; three 30'-90' lots. Opposite corner (047-032-08) sold 4/23/09 for \$161.24 psf.
2	2244 W. Coast Hwy.	425-471-26	43,560	10/2/09	\$6,500,000	\$149 psf - north side of PCH, office building Sold 6/30/06 for \$8,650,000.
<u>BAY FRONT:</u>						
3	2607 W. Coast Hwy	049-150-27	27,103	1/14/10	\$8,030,000	\$296 psf - Crab Shack Restaurant plus 400 ln. ft. marina. Prior (12/07) sold for \$10,750,000 but received by Securities and Exchange Commission.
4	341 Bayside Dr.	050-451-08	17,816	12/18/09	\$5,500,000	\$309 psf as improved with two-story commercial building being renovated/ remodeled. No water rights; shared parking.
5	2300 Newport Blvd.	047-120-31	104,980	2/14/04	\$18,000,000	\$171.46 psf; 5 yr. entitlement process Planned demolition of existing improvements and redevelop with commercial (office) and 2nd floor residential, similar to Lido Marina Village potential. Old sale - lesser weight.

# MARKET DATA MAP



## **Land Value:**

Basic to the measurement of the contribution to value made by the upland required for parking, restrooms, offices, etc., within a marina is the land's fair market value as an independent site available for its highest and best use. By instruction, it is an extraordinary assumption of this appraisal that the land area required for the marina is to be located within the Lido Marina Village properties that are adjacent to the westerly portion of the subject tidelands.

Because of the size and scope of this land - in excess of three acres - it would not be necessary for the marina's parking, office, bathrooms, etc. to be situated on the higher valued waterfront portion. This less expensive alternative is not available at many of the comparable marinas in Newport Harbor.

The five sales set out on the facing page are located within the vicinity of the harbor. They were selected from amongst the limited supply of commercial sales in the harbor area because, in our judgment, they were most helpful in shedding light on the value of subject's required upland area.

A comparability analysis of this data relative to the subject uplands (interior, non-waterfront) was carried out. Adjustments were made for the differences between the sale and the subject for elements of comparison such as date of sale (trend), location, size, shape, zoning, and improvement contribution.

Specific details of this analysis are held in our files and available for review. Market data sheets can be found in the Addenda of this report.

As a result of the investigation of these and other less pertinent data we have concluded that the fair market value of the 11,700 square feet of upland necessary to the subject marina, as part of the larger Lido Marina Village holdings, is equivalent to \$200 per square foot.

**Fair Market Value – Required Upland:**

**\$200 per sq. ft.**

**DRAFT**

**Allocation of Rental Between Land and Tidelands:**

The foregoing discussions have set out the pertinent criteria to be used in the market rent valuation analysis to follow. They are briefly summarized below:

Tideland Frontage Along US Bulkhead Line:	961 feet
Pierhead or Project Line As Occupied:	100 feet
Tideland Area:	93,600 sq. ft.
Reasonable Yield of Berthing:	2,500 l.f.
Upland Required to Support Marina:	11,700 sq. ft.
Value of the Uplands Independent of Tidelands:	\$200/ sq. ft.
Slip Rental:	\$40.00/ l.f./ mo.

These criteria have been used in the two different methodologies that were employed in forming our opinion of the fair market percentage rent to be applied to the subject tidelands at the date of value. Both methods considered the highest and best use configuration of the tidelands described above. Method I analyzed the allocation between uplands and tidelands based upon uplands as raw land of 11,700 square feet within the Lido Marina Village. Method II considered that the uplands parking requirement could be satisfied within a multi-story parking structure, either alone or within the larger parking structure that will be required to serve the needs of the commercial and residential users of the Lido Marina Village. This approach is considered to be appropriate since, at the date of value, the unit cost of a parking structure is less than the established fee value of the land in the vicinity of the subject.

**Method I:**

This approach employs an 10-step analysis which results in an indication of market rent for subject tidelands expressed as a percentage of the gross income generated by the proposed marina at its highest and best use. The steps are initially listed below, with an explanation of their application following.

1. Estimate the value of the uplands independent of the tidelands.
2. Estimate the value of the tidelands independent of the uplands.
3. Estimate the market rent of the uplands and tidelands in joinder as a marina.
4. Analyze the arithmetical distribution of that rental to the tidelands by the relative area of the tidelands relative to the total area of the tidelands and uplands in joinder (as a marina).
5. Estimate the market rent of the uplands independent of the tidelands, expressed as a dollar amount return on the value of the property.
6. Determine the ratio of the arithmetically allocated market rent of the tidelands considered in joinder to the combined market rent of the tidelands and uplands at their respective highest and best use values.
7. Develop a preliminary indication of the apportioned rent to tidelands.
8. Adjust apportioned rent in accordance with each component's relative relationship to the actual total rent in joinder.
9. Allocate fair rental value (market rent) between uplands and tidelands as a dollar amount.
10. Convert tidelands market rent to a percentage of gross income. That represents the estimated percentage market rent.

1. Estimate the Value of Uplands Independent of the Tidelands:

This step of the valuation considers the uplands as having no exclusive right to the adjacent water area beyond the bulkhead line. Sufficient recent market data is available within the subject area to



make this judgment. The estimate is made to establish an economic base to which the effect of joinder with tidelands can be related.

Since 11,700 square feet of uplands is required to support 2,500 lineal feet of berthing, knowledge of the capital investment in the uplands is important in order to judge the ability of berthing income to economically support the land area required for the marina's existence. Further, since this value estimate excludes reliance on joint use with the water mass, it reflects the alternative available to the upland owner, if he chooses not to utilize the adjacent tidelands.

Value of Uplands Independent of Tidelands:

11,700 @ \$200/sq. ft. = \$2,340,000

Round to: \$2,350,000

2. Value of the Tidelands Independent of the Uplands:

Any analysis pertaining to the value of the tidelands, as independent of uplands, must start with consideration of the uses to which it could be put. This area can, if vacant of marina improvements, be utilized by the public for swimming, boating, or fishing, as an extension of the main channels within the Harbor. It could also, in certain circumstances, be utilized for offshore moorings as part of the existing moorings situated in various groupings throughout Newport Harbor.

In practical terms, however, such uses of the tidelands inside the pierhead line would, in all likelihood, face opposition from citizen's group and some governmental entities for the following reasons:

- a) Lack of nearby upland parking, restrooms, and dinghy launching facilities necessary to serve the mooring tenants.
- b) Reduction in efficiency of water area usage. Typical marina pier slip facilities could accommodate in excess

of four times the number of craft within the same tideland area as that of typical offshore moorings.

- c) The offshore mooring use is inconsistent with the general Harbor Plan, i.e., pierhead lines have been established throughout the Harbor for the purpose of accommodating the construction of piers and floats without interference of the effective use of the channel areas.

Therefore, although one could consider this use as an alternative, it must be characterized at this time as speculative and uncertain.

The monetary value of the subject tidelands, as independent of adjacent uplands, is likewise uncertain and speculative. In all tests used by these appraisers, its value was found to be significantly less than when in joinder with a land mass which could provide the necessary offshore support.

Value of Tidelands Independent of Uplands:      Less than in Joinder

### 3. Market Rent of Uplands and Tidelands in Joinder as Marina:

This computation derives the total dollar amount of rental due for the subject marina operation at its highest and best use based on the market evidence presented earlier that the appropriate rent for the land and water areas necessary to the operation of a modern marina facility is equivalent to 25% of the total gross slip rental generated within the project.

The equation applicable to this process is:

R = .25 x 12 x L x S x O

Where: R = Market Rent in Dollars for the Marina Site (Land and Water only – No Structure)

L = Lineal Feet of Berthing (2,500 l.f.)  
S = Slip Rental per Foot per Month (\$40)  
O = Occupancy (97%)

Application to Subject:

$$R = .25 \times 12 \times 2,500 \times \$40 \times .97 = \$291,000$$

4. Determine the Arithmetical Distribution of the Tidelands Relative to the Total Area of Tidelands and Uplands in Joinder:

This is simply a mathematical calculation. It distributes the rental to the tidelands in accordance with its area in relation to the combined area of upland and tidelands. The subject tidelands comprises 93,600 square feet of water area. It requires access to 11,700 square feet of uplands to accommodate the required 32 parking spaces and an additional 700 square feet of land for office, bathroom and storage purposes to serve the marina use. The total required area for the marina operation is 105,300 square feet.

$$\text{Arithmetic proportion of tidelands} = \frac{93,600}{105,300} = 89\%$$

Relative distribution of rental to the tidelands as a proportion of the total marina area (land and water) =

$$0.89 \times \$291,000 = \$258,990$$

Arithmetic Distribution of Rental to Tidelands by Area: \$258,990/yr.

5. Fair Rental Value Uplands Independent of Tidelands:

The market indicates that in the Newport Harbor area the well-informed investor can anticipate a far lower return on land value than would be the case in many other locations. This is reasonably ascribed to the capital appreciation potential of the sites, which arises from the limited supply and the lack of comparable alternative locations.

Accordingly, based on market evidence, we believe a 5% rate can be supported as market rent for land as of the date of value. Again, this is based on uplands value independent of the tidelands, i.e., possessing no permit or rights to use the adjacent water area.

The equation applicable to this step is:

$$\text{Fair Rental Value Uplands} = \text{Value Uplands} \times 5\%$$

Application to Subject Uplands:

$$\$2,350,000 \times .05 = \$117,500/\text{year}$$

Fair Rental Value Uplands Independent of Tidelands: \$117,500/ year

6. Ratio of the Arithmetically Distributed Market Rent of Tidelands to the Combined Market Rents of the Tidelands and Uplands at Their Respective Highest and Best Uses:

As shown in Step 4 above, the maximum dollar rent allocation that can be placed on the tidelands is that which can be calculated as an arithmetic distribution of the rental value of the water and the uplands in accordance with the area of each element. This requires joinder of the two. Without joinder, the value of the tidelands independently, as stated in Step 2 above, is limited.

The maximum rental value of uplands arises when it operates independent of the water mass (i.e., as a site for restaurant, stores, offices, condominiums, or as a mix of these uses), and not as part of a marina, in terms of its proportionate share of the total area. The union of the uplands and tidelands as a marina, therefore, becomes a significant economic benefit to the tidelands, but, *unadjusted*, reflects a diminution in residual rental value to the uplands.

The function of not only this section, but also the total appraisal process, is to adjust this arithmetic relationship between the parts so that the uplands receives an appropriate share of the revenue that is reflective of its highest and best use, with the residual apportioned to the tidelands. This requires an adjustment in

distribution of rental revenue from a strictly arithmetic basis to an economic basis reflecting the uplands highest and best use.

In order to accomplish this, it is necessary to measure the relationship (ratio), in terms of rent allocation, of the tidelands at its highest and best use (in joinder) to the combined contribution of each part at their individual highest and best uses.

The equation applicable to this step is as follows:

$$\text{Ratio} = \frac{\text{Tideland Rent Apportioned by Area}}{\text{Tideland Rent Apportioned by Area} + \text{Upland Rent as Independent}}$$

$$\text{Ratio} = \frac{\$258,990}{\$258,990 \times + \$117,500} = \frac{\$258,990}{\$376,498} = 68.8\%$$

Ratio of the Rental of the Tidelands by Area to Combined  
Rental of Each Component at Highest and Best Use: 68.8%

7. Preliminary Indication of Apportioned Rental to Tidelands:

This step is simply the application of the above ratio to the tidelands arithmetic portion of the total land and water (in joinder) market rent indication (Step 4). This adjustment results in the elimination of the value diminution of the uplands by reason of joinder with the tidelands when analyzed on a strictly arithmetic basis. In this way, the uplands receives a return commensurate with its highest and best use even while operating in joinder with the tidelands. The equation for this step is:

Arithmetic Tidelands Rental by Area x Ratio

$$\$258,990 \times 0.688 = \$178,185$$

Preliminary Apportioned Rental to Tidelands: \$178,185/ year

This is not the final allocation, since an adjustment must be made to further equalize the return to each component in relation to



the actual total revenue generated by the marina use (land and water in joinder).

8. Adjustment of Apportioned Rent:

Up to this point, we have three rental estimates available.  
They are:

- a) Fair Rental Value Tidelands and Uplands in Joinder as a Marina (Step 3): \$291,000/year.
- b) Fair Rental Value of Uplands at Highest and Best Use as an Independent Parcel (Step 5): \$117,500/year.
- c) Preliminary Indication of Apportioned Rental to Tidelands Reflecting Joinder (Step 7): \$178,185/year.

It has been established that the tidelands and uplands in joinder have a provable market rental value. That fair rental value was \$291,000 per year.

This total rent must therefore be apportioned respectively so that the tidelands and uplands each receive an adjusted portion of this amount. The relative relationship of the rents should be equivalent to the same proportion to their relative rental values as shown in Items (b) and (c) above.

Saying it another way, the summation of the ultimate fair rental values of each element, when in joinder and restricted to the use as a marina, cannot exceed the \$291,000 per year. This is the economic rental value of the combined properties. Therefore, a factor must be developed which will adjust each of the independent rental indications so that combined values are equivalent to the total rent for the marina. This is best shown through the following:

Total Fair Rental Value Uplands and Tidelands in Joinder as a Marina:	\$291,000
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VALUATION – continued

Preliminary Tidelands Rent:	\$178,185
Market Rent Uplands at H & B Use:	<u>\$117,500</u>
Total:	<u>\$295,685</u>

$$\text{Required Adjustment Factor} = \$291,000 \div \$295,685 = 0.984$$

$$\text{Equalization Adjustment Factor:} \quad 0.984$$

9. Allocation of Fair Rental Value:

This penultimate step is carried out by applying the adjustment factor to the two proportionate rental estimates previously calculated.

The equation is therefore:

$$\begin{aligned} \text{Market Rental Value Tidelands} &= \text{Adjustment Factor} \times \\ &\text{Preliminary Tidelands Rent} \end{aligned}$$

and

$$\begin{aligned} \text{Market Rental Uplands} &= \text{Adjustment Factor} \times \text{Market} \\ &\text{Rent of Uplands at H \& B Use} \end{aligned}$$

$$\begin{aligned} \text{Market Rental Value Tidelands} &= 0.984 \times \$178,185 \\ &= \$175,334/ \text{ year} \end{aligned}$$

and

$$\begin{aligned} \text{Market Rental Value Uplands} &= 0.984 \times \$117,500 \\ &= \$115,620/ \text{ year} \end{aligned}$$

Check:

$$\$175,334 + \$115,620 = \$290,954/ \text{ year}$$

10. Conversion to Percentage Rent

The final step in this process is to convert the market rent indication, expressed as a dollar amount, into a percentage of the gross revenue generated by the marina. As was expressed earlier, our opinion of the projected gross revenue from slip rental at the subject at its highest and best use is \$1,164,000. The market rent for the tidelands, shown above, is \$175,384.

The computation of the conversion is as follows:

$$\frac{\text{Fair Rental Value}}{\text{Gross Revenue}} = \frac{\$175,334}{\$1,164,000} = 15.06\%$$

Indicated Market Rent for Subject Tidelands: 15.00%

**Check on Market Percentage Rent Value Indication by Method I:**

Implicit in this valuation analysis is the assumption that the well-informed owner of the uplands would not use his property for a use that would negatively impact, or diminish, the return on his investment.

The sales comparison analysis presented earlier provided the market support that led to our conclusion of value for the uplands (non-waterfront) necessary to support the subject marina operation to be on the order of \$200 per square foot. Step 1 above applied this unit value to the 11,700 square feet required parking, office, bathrooms, storage, etc. to obtain a land value estimate of \$2,350,000.

Step 9 shows that the rent allocation to the uplands is \$115,620 per year. This represents a 4.92% return to the land, which is well supported by market evidence for commercial properties throughout Newport Harbor. These sorts of water-affiliated properties, which are in relatively limited supply, have traditionally shown returns at this level or lower because of the willingness of buyers to accept a reduced income stream in anticipation of obtaining profit through capital appreciation at the time of reversion, or re-sale of the property.

This allocation of rent not only shows an acceptable, market-supported return to the uplands, but it offers a positive annual net return to

the tidelands of \$175,334. This suggests that use of the uplands and tidelands in joinder has good financial feasibility.

The value enhancement to the tidelands can be expressed in another way. Step 2 above showed that the tidelands as an independent parcel had nominal or limited value. We have shown that the annual market rent for the tidelands and uplands in joinder as a marina is on the order of \$291,000. A value for the site (land and water) dedicated to this can be obtained by capitalizing this annual rent. In our judgment an 8% capitalization rate is appropriate to reflect this risks associated with a marina operation. Thus, the capitalized value is obtained in the following manner:

Where:      M = Capitalized Value of the Marina (Land and Water only – No Structure)  
                 L = Lineal Feet of Berthing (2,500 l.f.)  
                 S = Slip Rental per Foot per Month (\$40)  
                 R = Market Capitalization Rate (8%)  
                 O = Occupancy (97%)

Application to Subject:

$$M = \frac{.25 \times 12 \times 2,500 \times 40 \times 0.97}{.08}$$
$$= \$3,637,500; \text{ Round to: } \$3,638,000$$

Value of Upland & Tidelands in Joinder as Marina:      \$3,638,000

When the uplands value of \$2,350,000 is deducted from this amount, an indication of the value of the tidelands, when dedicated to marina use results.

$$\begin{array}{r} \$3,638,000 \\ -\$2,350,000 \\ \hline \$1,288,000 \end{array}$$

This indicates that the value of the subject tidelands, dedicated to marina use in joinder with the uplands, has a value on the order of

\$1,288,000. This is equivalent to 93,600 square feet at \$13.76 per square foot.

The positive enhancement of the tidelands value while maintaining an appropriate, market-supported return to the uplands indicates the use of the uplands and tidelands in joinder as a marina is well supported.

In our opinion, this analysis also buttresses the allocation of percentage rent presented above. It shows that the uplands receives a return that is equivalent to its potential income at highest and best use as an independent parcel. Thus, it is not required to underwrite the marina operation. Further, the value of the tidelands is significantly enhanced by the marina use (joinder of land and water).

In light of all the foregoing, it is our judgment that the market percentage rent indication for the subject tidelands, with the extraordinary assumption of having access to the uplands necessary to support a marina operation, of 15% is well supported by the analysis of Method I.

#### **Conclusion Fair Market Rent for Subject Tidelands – Method I:**

**15%**

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#### **Method II:**

The procedure used in this approach to forming an opinion of market rent for the subject tidelands also requires quantification of the economic burden to fund the cost of land of sufficient size to accommodate the marina zoning requirements for parking, restrooms, and an office facility. However, in this case, we have considered that the relevant developmental obligations could, in part, be met by a multi-story parking structure. This approach is deemed to have merit when the high level of land values at this location is considered relative to the construction cost of a parking structure capable of accommodating an equivalent number of vehicles.

It is recognized that this alternative parking facility potential is available due to both the extraordinary assumption of this appraisal and the fact that a parking structure would logically be incorporated within the proposed Vornado Lido Village project. The admittedly nascent plans for



this development are projected to have an ultimate size, scope and character that would make a parking structure a feasible, integrated component. In comparison, such a parking solution would, in all likelihood, not be either economically feasible or permitted under existing land use controls at other marina locations around Newport Harbor.

Characteristics of Multi-Story Parking and Office Land:

Parking Structure:

Parking Levels:	3
Area:	350 sq. ft./ parking space
Number of Spaces:	0.75/ slip plus 2 spaces for office
Construction Cost:	\$20,000 per space

Land:

Area:	1.2 x parking area for access driveways; plus 500 sq. ft. for office/ restrooms
Value:	\$200 per sq. ft. of land
Location:	Interior – not waterfront land

Range of Expectable Marina Capacity and Slip Rates:

Capacity of Marina:

No. of Slips:	40
Slip Length:	50' to 65'
Slip Rates:	\$35 to \$45 per l.f. /mo.
Occupancy:	97%
Total Lineal Feet:	2,500'

## LIDO MARINA VILLAGE TIDELANDS RENT ANALYSIS

Land Value/ Sq. Ft.	\$200	Annual Rate of Return on Land	5.00%
Total Land Area Required* (Sq. Ft.)	4,620	Annual Return on Land/Space	\$1,444
Total Land Area Value:	\$924,000	Amortization Rate Improvements	7.00%
Total Land Value Allocation per Parking Space:	\$28,875	Years of Amortization	50
Parking Structure Const. Cost/ Space	\$20,000	An. Amort. on Impr./Parking Space	\$1,449
Size per Space (Sq. Ft.)	350	Annual Return, Land & Impr./Parking Space	\$2,893
Const. Cost/ Sq. Ft./Space	\$57	Total Annual Obligation for Parking:	\$92,574
Parking Levels	3	Allocation per Marina Slip (40 slips):	\$2,314
Const. Cost/ Sq. Ft./Footprint -3 levels	\$171		
		Land Cost Office/ Res./ sq. ft.	\$200
Slip/ Parking Ratio	0.75	Total Land Cost Office/ Restrooms	\$100,000
No. of Marina Slips	40	Annual Rate of Return Office/Restrooms	5%
No. of Parking Spaces - Marina	30	Total Annual Return Office/ Restrooms	\$5,000
Office/ Restrooms Land Required (sq. ft.)	500	Allocation per Marina Slip (40 slips):	\$125
Parking Spaces Required for Office	2		
Total Parking Spaces Required	32	Total Uplands Obligation for Parking And Office/ Restrooms/ Slip (40 slips):	\$2,439
* 11 spaces on ground floor of 3-level structure x 350 s.f. x 1.2 for building setbacks			

**Indicated Percentage Rent to Tidelands After Return to Uplands**

No. of Slips	40					
Average Slip Length (Lineal Feet)	62.5	62.5	62.5	62.5	62.5	62.5
Average Price/ L.F./ month	\$35.00	\$36.00	\$38.00	\$40.00	\$42.00	\$45.00
Occupancy	97%	97%	97%	97%	97%	97%
Average Monthly Income/ Slip	\$2,122	\$2,183	\$2,304	\$2,425	\$2,546	\$2,728
Gross Annual Income/ Slip	\$25,463	\$26,190	\$27,645	\$29,100	\$30,555	\$32,738
Market Rent Obligation @ 25% of Gross Income	\$6,366	\$6,548	\$6,911	\$7,275	\$7,639	\$8,184
Less Uplands Annual Return Obligation	(\$2,439)	(\$2,439)	(\$2,439)	(\$2,439)	(\$2,439)	(\$2,439)
Remainder Market Rent to Tidelands	\$3,926	\$4,108	\$4,472	\$4,836	\$5,199	\$5,745
Percentage of Gross Annual Income	15%	16%	16%	17%	17%	18%

## VALUATION - continued

### Economic Criteria:

#### Interest Rates:

Return on Land:	5% per annum
Improvements:	7% - 50 years amortization

#### Market Rent Percentage Upland/ Tidelands in Joinder:

By Comparable Data:	25% of gross revenue
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The application of these criteria is set out on the spreadsheet on the facing page. This considers the cost of the multi-story parking structure in lieu of the land area necessary to accommodate an equivalent number of vehicles. Accordingly, it considers the cost of the improvements for the parking structure, but it does not consider the office improvements since those are a part of the marina operation, just as the docks and pilings are. The office land is accounted for.

As a result of this analysis, a percentage rent residual to the tidelands ranging from 15% to 18% was indicated.

### **Conclusion Fair Market Rent for Subject Tidelands – Method 2:**

**15% to 18%**

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### **Limited Evidence of Tidelands Rents Separate from Uplands:**

The valuation approaches described above, which required allocation of value to the water area, were necessary since the empirical evidence of rent for water area alone (separate from the adjoining uplands) is too limited to provide reliable value indications.

The following describes the limited data found in our survey where the water is used in joinder with the adjacent uplands, but the water area is leased separately.

## VALUATION - continued

### County of Orange – Newport Harbor:

The County of Orange leases small segments of tidelands under its jurisdiction to owners of adjoining commercial uplands in lower Newport Harbor. The rental for these parcels is significantly influenced by the special circumstances of the upland parcels and there is little consistency in approach. Therefore, the data is of limited assistance. Following is a summary of this data:

#### Swales Marina:

Rental is 20% of gross receipts for 1.15 acres of water area. The percentage rental is not based on arms length negotiations between the parties. The County increased the rental after the operator had substantially upgraded the improvements under a significantly different tidelands fee basis. The operator had the choice of paying the rent or abandoning the improvements. Lease is month to month due to possible redevelopment of the uplands.

#### Bayshores Marina:

This 103,900 square feet of County tidelands was entered into contract in the early 1970s. The lease rental was based upon an equation which adjusted the rental in accordance with changes in upland land value.

Apparently, the complicated nature of the calculation, in combination with the ability to adjust a *portion* of the equation, resulted in considerable uncertainty and an under consideration of increasing land values. In September 2004 it was adjusted to a flat rate of 20% of marina revenue. At that time the minimum rent was at 75% of the preceding three years average lease rental.

The total revenue for this marina in 2009/10 was \$1,600,000 and tidelands rent was \$320,000.

## VALUATION - continued

Your appraisers acknowledge these transactions, but by reason of the uncertainty of their formulation and the circumstances of their current implementation, in our judgment they do not represent open market transactions. Accordingly, limited weight was attached to this data.

### **Reconciliation of Market Rent for Subject Tidelands:**

In the foregoing analyses three indications of market percentage rent for the subject tidelands were developed. Methods I and II utilized strategies wherein the tidelands component was extracted from an indication of the appropriate market rent for the subject marina property considering the tidelands and uplands in joinder. In both cases this was done by a residual analysis in which the economic burden of providing an appropriate, market-derived return to the uplands area necessary to support a marina operation was measured. After accounting for this return to the land, the remainder (residual) was allocated to the tidelands.

Method I considered the surface area of land necessary for parking, office, restrooms and storage. Method II used the possibility of multi-story parking to satisfy the parking portion of this requirement. It is important to note that this is a unique circumstance to the subject location due to its affiliation with Lido Marina Village. This parking solution would not likely be found in other parts of Newport Harbor. In fact, but for the extraordinary assumption set out in paragraph 2 of the Scope of Services, it is not absolutely certain that it could be achieved at the subject. Accordingly, this approach was given less weight than Method I.

Two empirical data items of leases of tidelands without adjacent uplands were discussed. The conditions surrounding the original formulation and subsequent revaluation of the percentage rents in these leases led us to conclude that they could not be taken to represent open market transactions. Thus, they were accorded limited weight in this final reconciliation.

The indicated percentage rent conclusions are as follows:

Method I:	15%
Method II:	15% - 18%



## FIVE-YEAR PHASING PROJECTION MARKET RENT ANALYSIS

### Existing Marina Revenue:

Existing: \$835,000 per year

Highest & Best Use: \$1,164,000 per year

PHASING SCHEDULE		
Year	% of Existing Use	% of Highest & Best Use
2011	100%	0%
2012	75%	12.5%
2013	50%	37.5%
2014	25%	62.5%
2015	0%	87.5%
2016	0%	100%

ALLOCATION OF PHASED REVENUE AND RENT TO TIDELANDS				
	Existing	H & B Use	Total	16%
2011	\$835,000	\$0	\$835,000	\$133,600
2012	\$626,250	\$145,500	\$771,750	\$123,480
2013	\$417,500	\$436,500	\$854,000	\$136,640
2014	\$208,750	\$727,500	\$936,250	\$149,800
2015	\$0	\$1,018,500	\$1,018,500	\$162,960
2016	\$0	\$1,164,000	\$1,164,000	\$186,240

COMPUTATION OF MINIMUM RENT				
2011	\$133,600	x	0.75	\$100,200
2012	\$123,480	x	0.75	\$92,610
2013	\$136,640	x	0.75	\$102,480
2014	\$149,800	x	0.75	\$112,350
2015	\$162,960	x	0.75	\$122,220

In light of all the foregoing, we concluded that an appropriate percentage rent to apply to the subject tidelands, considering that the necessary uplands shall be made available within the adjacent Lido Marina Village, is 16% of the gross revenue generated by the marina operation.

**Final Conclusion Fair Market Percentage Rent at Highest and Best Use:**

**16%**

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**Market Rent Valuation of Existing Use:**

In the Property Productivity Analysis section of this report presented earlier we described the quality, condition and configuration of the existing improvements. In analyzing the highest and best use of the subject property, as improved, we opined that the proper program of development would involve a phased replacement of the existing improvements with new improvements consistent with the highest and best use of the tidelands, as vacant.

In analyzing this process we suggested that the lessee would have to spend the first year of ownership obtaining all the required permits, approvals of designs and construction plans, and financing in anticipation of the redevelopment. It was proposed that over each of the subsequent four years 25% of the facility would be demolished and rebuilt to the optimum configuration.

In measuring the fair market value of the tidelands as improved, we applied a phased revenue cash flow analysis consistent with a schedule that, in our judgment, would be followed by a well-informed lessee. We used the current marina gross revenue of \$835,000 per year, and the highest and best use estimated revenue of \$1,164,000 per year in the computation. We also employed the fair market percentage rent conclusion of 16% of the gross revenues generated from slip rentals.

A tabulation of our estimate of the projected revenue, with percentage rent at 16% during the five-year phasing period, is set out on the facing page. It should be noted that the phasing schedule uses 50% of the highest and best use revenue allocation during any year for the 25% portion of the improvement that is being demolished and replaced.

## VALUATION - continued

Although requested, no information regarding the subject marina's revenue for any years prior to 2010 was made available. Consequently, it was not possible to estimate minimum rent in reference to historical revenue. Based upon the empirical data, which will be more fully presented in the following Minimum Rent analysis, we used 75% of the prior year's projected rent as a basis for the minimum rent during this 5-year phasing period.

### Conclusion Fair Market Value – Current Configuration:

Percentage Rental:	16% of Marina Revenue
Minimum Rent:	
Year 1 (2011):	\$100,200 per year
Next Five Years:	75% of prior year's rental
Thereafter:	75% of average rent of prior five years, adjusted every five years.

### MINIMUM RENT

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### Empirical Analysis:

This portion of fair rental value reflects the minimum economic return to the tidelands which they investor might reasonably expect, considering the terms and conditions of the lease. This component of fair market rent affords protection to the lessor by identifying a return to the land which is reasonably assured, while also considering the lessee's ability to meet the rental obligation during periods of reduced income due to cyclical downturns, improvement replacement or renovation, or other causes beyond the lessee's control.

Our survey of other marina-oriented projects indicated that most leases provide for periodic adjustment of minimum rent to a percentage (from 75% to 85%) of the average of the actual total rent paid for the three to five previous years. The data is summarized as follows:

## VALUATION - continued

JURISDICTION	MINIMUM RENT
City of San Diego	66.6% - 75% - 80%
Marina del Rey	14 leases within MDR at 75% of prior 3 years, adjusted every 5 years.
Newport Harbor (Balboa Club)	75% over preceding 5 years
Redondo Beach (King Harbor)	75% of prior 3 years, adjusted every 3 years.
Ventura Harbor	75% of prior 5 years, level 5 years.
Channel islands Harbor	80% of prior 3 years, adjusted every 3 years.

### Reconciliation of Minimum Rent Indications:

The preponderance of empirical data supports an annual minimum rent of 75% of the average total rent paid for a period of prior years. The period of prior years ranges from one to five years. A recent negotiation in Marina del Rey settled on the average of the prior three years' total rent paid.

It is our opinion that a three-year adjustment period, with minimum rental based upon an average of the prior three year's (adjusted every three years) total rent paid is most strongly supported, provides some sensitivity to economic conditions, and provides some stability in rental revenue.

However, paragraph 5 of the "Scope of Services" the subject's proposed lease shall be based on a five (5) year adjustment period for minimum rent. We believe this is within the range of data an appropriate.

### Minimum Rent Conclusion:

Seventy-five percent (75%) of the average annual total rent paid during the preceding five years, adjusted every five years.

## FINAL RECONCILIATION AND CONCLUSION

The purpose of the appraisal assignment, as set out in the Scope of Services, was to form an opinion of the fair rental value (market rent) of the subject tidelands, expressed as percentage rent, for the property at its highest and best use and as currently configured. In addition, a mechanism for determining minimum rent was also part of the assignment. Paragraph 5 of the Scope of Services indicated that the percentage rent shall remain level for 25 years, and the minimum rent shall be adjusted every five years.

The data and analyses that led to our conclusions have been presented in the foregoing report. The conclusions are summarized below:

### **Percentage Market Rental Value:**

#### **I. Tidelands Vacant at Highest and Best Use:**

There is ample empirical evidence to indicate that if subject tidelands were in joinder with the uplands required to serve the tidelands use as a marina, the assembly of the two parcels would have a market rental value of 25% of gross receipts generated by the marina use.

Two independent appraisal processes were employed to develop a supportable allocation of the contribution to the total rent that should be made by the tidelands alone. The results of these two analyses were:

Method 1: 15%

Method 2: 15% to 18%

These two results appear to be generally supportive of each other.

**Market Rent Conclusion:**

**16% of Gross Revenue**

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## II. Tidelands as Currently Configured:

In our opinion the highest and best use of the tidelands as improved is to retain its operation as part of a marina, but to commence a phased program of removal and redevelopment over a five-year period.

In our judgment market rental value, as improved, should be comparable to that as if vacant and developable to its highest and best use. (The distinction will be in the minimum rent over the 5-year period of redevelopment.)

**Market Rent Conclusion:                      16% of Gross Revenue**

### **Minimum Annual Rent:**

The empirical data strongly supports 75% of the average of a number of prior years' lease rental. The majority considers a three-year average with readjustment at three-year intervals. Some leases average the actual income over five years with corresponding adjustment periods. Paragraph 5 of the Scope of Services indicates that the interval of adjustment shall be every five years. This is supported by the data so we have concluded at those terms.

**Minimum Rent Conclusion:                      75% of average rentals paid  
over previous five years,  
with adjustments at five-  
year intervals.**

Note:                      Because the proposed lease terms represent a transition from annual rent based upon a Harbor Permit, as opposed to an established percentage of the gross revenue generated, there are no applicable prior years' rental payments against which to apply the market-derived 75% to obtain the minimum rent.

In recognition of this circumstance, we formed an opinion of the appropriate minimum rent applicable to subject property for the first five years of the lease as follows:

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- We estimated the market-supported percentage rent conclusion of 16% for Year 1 based upon the \$835,000 of reported revenue generated by existing improvements in 2010:

$$\$835,000 \times .16 = \$133,600$$

- The 75% minimum rent conclusion was applied to this figure to obtain the Year 1 minimum rent:

$$\$133,600 \times .75 = \$100,200.$$

- As the Five-Year Phasing Projection set out opposite page 66 shows, the effective gross revenue is projected to drop in Year 2, but increase in the subsequent three years until it reaches its anticipated full potential at highest and best use in Year 6. Likewise, the applicable percentage rent (at 16% of projected effective gross revenue) will vary during this period, from \$123,480 in Year 2 to \$162,960 in Year 5.

Using 75% of the projected effective gross income as the basis for calculating minimum rent, the third table on the Five-Year Phasing Projection sheet shows computations of the minimum rent for each of the five years based on the proposed redevelopment plan. The total of the five years is \$529,860.

This represents an average of \$105,972 per year for the first five years. This is recognized to be the result of a specific redevelopment plan, which may not necessarily be followed. However, it compares reasonably with the \$100,200 minimum rent estimate based on existing use.

- In light of the foregoing, we have concluded that the minimum rent for the first five years of the lease should be \$100,200. This is consistent with the existing use, and reasonably obtainable by a well-informed lessee who chooses to follow any prudent program of redevelopment during that period.

Thereafter, the mechanism of averaging the prior five years of actual rentals paid to establish the minimum rent for the subsequent five years will be available and should be applied at five year intervals as directed by Paragraph 5 of the Scope of Services.

## **Addenda**

## CERTIFICATION

The undersigned hereby certify that:

1. Mr. George H. Jones made detailed inspections of the property on several occasions, the most recent being December 9, 2010. Mr. Casey Jones also made several inspections of subject property. The most recent was December 24, 2010.
2. To the best of our knowledge and belief, the statements of fact contained in this report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions stated herein, and are the personal, unbiased professional analyses, opinions, and conclusions of the undersigned. Those limiting conditions (imposed by the terms of the assignment or by the undersigned) considered to affect the analyses, opinions, and conclusions are contained in this report.
4. We have no present or prospective interest in the property that is the subject of this report. We have no personal interest or bias with respect to the subject matter of this report or the parties involved.
5. The compensation for this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
6. This report is not conditioned upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. This report, and the analyses, opinions, and conclusions contained herein, have been made in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP).
8. No one other than the undersigned prepared the analyses, conclusions, and opinions, or provided other significant professional assistance concerning the real property interests that are the subject of this report.
9. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Mr. George H. Jones has completed the requirements of the continuing education program of the Appraisal Institute.

**DRAFT**

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George Hamilton Jones, MAI  
(State Certified General Real Estate  
Appraiser No. AG005632)

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Casey Jones  
(State Certified General Real Estate  
Appraiser No. AG041862)

## **LIMITING CONDITIONS**

The Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as the Uniform Standards of Professional Appraisal Practice (USPAP), require that all assumptions and limiting conditions that affect the analysis be clearly and accurately set forth. To assist the reader in interpreting this report, the primary assumptions and limiting conditions affecting the analysis of the subject property are set forth below. Other assumptions and conditions may be cited in relevant sections of the following report.

1. The date of value to which the conclusions and opinions expressed in this report apply is December 1, 2010. The dollar amount of any value opinion herein rendered is based upon the purchasing power of the U. S. dollar existing on that date.
2. This report is based upon the following extraordinary assumptions, as set out in the Scope of Services:
  - a. Parking, restrooms and storage area required for the existing and future marina development shall be made available for the leased tidelands within the adjacent Lido Marina Village upland properties.
  - b. The proposed lease shall have a term of fifty (50) years, with a fair market value adjustment at 25 years. Minimum rent shall be readjusted every five years.
3. The appraisers assume no responsibility for economic or physical factors, which may affect the opinion herein stated occurring at some date after the date of value.
4. The appraisers reserve the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
5. No opinion as to title is rendered. Data related to ownership and legal description was obtained from public records, and is considered reliable. Title is assumed to be free and clear of all liens and encumbrances, easements and restrictions, except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.

Investigation of the property's history is confined to examination of recent transactions or changes in title or vesting, if any, and does not include a "use search" of historical property utilization.
6. No engineering survey was made by the appraisers. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.

## LIMITING CONDITIONS – continued

7. Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.
8. As a premise of this report it is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the following analysis.
9. No opinion is intended to be expressed for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. It is assumed that there are no hidden or unapparent conditions of the property that render it more or less valuable. No responsibility is assumed for such conditions or for the arranging of studies that may be required to discover them.

The function of this report is to provide an opinion of the value of the real property as herein defined. Under no circumstances should this report be considered as providing any service or recommendation commonly performed by a building inspector, structural engineer, architect, pest control inspector, geologist, etc.

10. No soil reports concerning subject property were available. This appraisal is based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use.
11. That no specific information was available for our review relating to hazardous materials or toxic wastes that may affect the appraised property. Unless otherwise stated in the report, we did not become aware of the presence of any such material or substance during our investigation or inspection of the appraised property. However, we are not qualified by reason of experience or training to identify such materials or substances. The presence of such materials and substances may adversely affect the value of subject property. This valuation is predicated on the assumption that no such material or substance is present on or in the subject properties or in such proximity thereto that it would prevent or impair development of the land to its highest and best use or otherwise affect its value. The appraisers assume no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state, and local environmental laws, regulations, and rules.
12. This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute, or to the MAI designation)



## LIMITING CONDITIONS – continued

shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the authors.

14. This is a summary report of a complete appraisal, prepared in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice. Therefore, this report presents summary discussions of the data, reasoning and analysis used in the valuation process. Additional supporting documentation regarding factual data and analyses is retained in our files.

## SALE 1



View northeasterly of Sale 1 from 31<sup>st</sup> Street.

**Location:** 505 31<sup>st</sup> Street, Newport Beach, CA  
**Assessor's Parcel:** 047-031-03

**Seller:** Ann B. McNamee Trust  
**Buyer:** Kerrageous I, LLC

**Recording Data:** Date Recorded: February 22, 2010  
Document No.: 363188

**Sale Price:** \$1,900,000 Price Per Sq. Ft. Land: \$227.00  
Price Per WFF: NA

**Site Information:**

Area: 8,370 square feet  
Parcel Shape: Rectangular  
Water Frontage: NA  
Depth to Pierhead: NA  
Water Area: NA  
Zoning: MU-CV (Mixed Use – Cannery Village)

**Improvements:** Improved with old metal buildings (6,520 square feet) to be occupied by the purchaser.

**Remarks:** Interior, non-waterfront, non-view site within Cannery Village, on the west side of Via Lido and approximately 650 feet southwesterly from the southern end of the subject.

## SALE 2



View north across PCH to Sale 2.



View southerly to bay along east line Sale 2.

**Location:** 2244 W. Coast Highway, Newport Beach, CA

**Assessor's Parcel:** 425-471-26

**Seller:** AK3 Newport Beach, LLC

**Buyer:** 2244 West Coast Highway, LLC

**Recording Data:** Date Recorded: October 2, 2009  
Document No.: 525144

**Sale Price:** \$6,500,000      Price Per Sq. Ft. Land: \$149.22  
Price Per WFF: NA

### Site Information:

Area: 43,560 square feet  
Parcel Shape: Effectively rectangular  
Water Frontage: NA  
Depth to Pierhead: NA  
Water Area: NA  
Zoning: MU-MM (Mixed Use Mariner's Mile)

**Improvements:** Average wood-sided two-story office building (16,594 square feet) constructed in 1981.

**Remarks:** This property sold 6/30/06 for \$8,650,000. Current sale shows a 25% reduction from earlier sale. Location on north side of PCH is significantly inferior to south side and waterfront.

### SALE 3



View southerly towards bay from parking lot of Sale 3.

**Location:** 2607 W. Coast Highway, Newport Beach, CA  
**Assessor's Parcel:** 049-150-27

**Seller:** Robert P. Mosier, Trustee GVECR II C Trust  
**Buyer:** Mike Moshayedi and Parto Moshayedi, Trustees

**Recording Data:** Date Recorded: January 14, 2010  
Document No.: 21499

**Sale Price:** \$8,000,000      Price Per Sq. Ft. Land: \$296.28  
Price Per WFF: \$71,062

**Site Information:**

Area: 27,103 square feet  
Parcel Shape: Rectangular (113' x 240')  
Water Frontage: 113 feet  
Depth to Pierhead: 80 feet  
Water Area: 9,040 between bulkhead and pierhead  
Zoning: MU-W1 (Mixed Use Water Related)

**Improvements:** Improved with Joe's Crab Shack Restaurant (5,100 square feet), originally constructed in 1968 and remodeled in 2008.

**Remarks:** This sale property was seized by the Securities and Exchange Commission from prior owner. Sold at auction for \$7,300,000 plus 10% auctioneer's fee = \$8,030,000.

## SALE 4



View westerly on south line of sale showing Linda Isle across channel.

**Location:** 341 Bayside Drive, Newport Beach, CA  
**Assessor's Parcel:** 050-451-08

**Seller:** Mile High Properties, Inc.  
**Buyer:** THBK Investments, LLC

**Recording Data:** Date Recorded: December 18, 2009  
Document No.: 679617

**Sale Price:** \$5,500,000      Price Per Sq. Ft. Land: \$308.71  
Price Per WFF: \$32,738

**Site Information:**

Area: 17,816 square feet  
Parcel Shape: Rectangular (168' x 106')  
Water Frontage: 168 feet  
Depth to Pierhead: 80 feet  
Water Area: 13,440 between bulkhead and pierhead  
Zoning: CM 0.3 FAR (Recreational and Marine Commercial)

**Improvements:** Improved with 2-story commercial office building (8,293 square feet), originally constructed in 1963 and renovated/remodeled by purchaser after sale.

**Remarks:** A portion of the parking is shared with the adjacent restaurant. This property excludes water rights.



## SALE 5



View southeasterly from Newport Blvd.



View southeast along waterfront.

**Location:** 2300 Newport Boulevard, Newport Beach, CA  
**Assessor's Parcel:** 047-120-31

**Seller:** Blurock Investment A, LLC  
**Buyer:** ETCO Investment, LLC

**Recording Data:** Date Recorded: December 26, 2004  
Document No.: 150855

**Sale Price:** \$18,000,000    Price Per Sq. Ft. Land: \$171.46  
Price Per WFF: \$38,710

**Site Information:**

Area: 103,237 square feet  
Parcel Shape: Irregular (465' x 225' average)  
Water Frontage: 465 feet  
Depth to Pierhead: 40 feet  
Water Area: 18,600 between bulkhead and pierhead  
Zoning: RMC at sale; MU-W2 (Mixed Use Water Related) current

**Improvements:** South Coast Shipyard and Design Center planned for demolition after five-year entitlement process.

Building Size: 30,011 square feet

**Remarks:** The proposed development included 31,000 square feet of retail and office space with 31 residential units on second floor. This is generally comparable to proposed development ideas at Lido Marina Village. Plans include reconstruction and repair of the bulkhead, new boat slips, subterranean parking, and improved public access with the creation of a waterfront pedestrian path.



## LEGAL DESCRIPTION

### PARCEL 1:

That portion of Newport Bay Harbor as shown on Map of the Department of the Army, File No. 972-3 dated December 26, 1950 in the City of Newport Beach, County of Orange, State of California, described as follows:

Beginning at the northwest corner of that certain Parcel Map filed in Book 63, page 11 of Parcel Maps, in the office of the County Recorder of said County, said point also being Station No. 125 as shown on said Department of Army Map; thence along the northerly prolongation of the westerly line of said Parcel Map, North  $24^{\circ}12'37''$  East 42.77 feet; thence South  $81^{\circ}23'59''$  East 82.21 feet, to a point in a line that is parallel with and distant 100.00 feet easterly measured at right angles to the Bulkhead line as shown on said Department of Army Map; thence along said parallel line South  $27^{\circ}29'51''$  East 719.99 feet to the intersection with the easterly prolongation of the southerly line of Parcel 1, of that certain Parcel Map filed in Book 60, page 43 of Parcel Maps, records of said County; thence along said easterly prolongation, South  $62^{\circ}30'09''$  West 100.00 feet to a point on said Bulkhead line; thence along said Bulkhead line North  $27^{\circ}29'51''$  West 741.93 feet to the point of beginning.

### PARCEL 2:

That portion of Newport Bay Harbor as shown on Map of the Department of the Army, File No. 972-3 dated December 26, 1950 in the City of Newport Beach, County of Orange, State of California, described as follows:

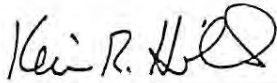
Beginning at the northeast corner of Parcel 2, of that certain Parcel Map filed in Book 60, page 43 of Parcel Maps, records of said County; thence along the easterly prolongation of the northerly line of said Parcel 2, North  $62^{\circ}30'09''$  East 100.00 feet; thence parallel with the easterly line of Said Parcel 2, South  $27^{\circ}29'51''$  East 223.27 feet to the intersection with the easterly prolongation of the southerly line of said Parcel 2; thence along said easterly prolongation, South  $62^{\circ}30'09''$  West 100.00 feet to a point in said easterly line of Parcel 2; thence along said easterly line North  $27^{\circ}29'51''$  West 223.27 feet to the point of beginning.

PARCEL 3:

That portion of Newport Bay Harbor as shown on Map of the Department of the Army, File No. 972-3 dated December 26, 1950 in the City of Newport Beach, County of Orange, State of California, described as follows:

Beginning at the southeast corner of Parcel 2, of that certain Parcel Map filed in Book 60, page 43 of Parcel Maps, records of said County; thence along the easterly prolongation of the southerly line of said Parcel 2, North  $62^{\circ}30'09''$  East 100.00 feet; thence parallel with the easterly line of said Parcel 2, South  $27^{\circ}29'51''$  East 124.89 feet to the intersection with the easterly prolongation of the northerly line of that certain Parcel Map filed in Book 59, page 44 of Parcel Maps, records of said County; thence along said easterly prolongation South  $62^{\circ}30'09''$  West 100.00 feet to the northeast corner of said Parcel Map filed in Book 59, page 44; thence along the northerly prolongation of the easterly line of said Parcel Map, North  $27^{\circ}29'51''$  West 124.89 feet to the point of beginning.

NOTE: THIS DESCRIPTION WAS PREPARED AS A CONVENIENCE ONLY AND IS NOT FOR USE IN THE DIVISION AND/OR CONVEYANCE OF LAND IN VIOLATION OF THE SUBDIVISION MAP ACT OF THE STATE OF CALIFORNIA.



Kevin R. Hills, P.L.S. 6617



## **EXHIBIT "A"**

### **Scope of Services**

Consultant shall provide an opinion of the fair rental value of the City's Public Tidelands situated adjacent to Lido Marina Village, as depicted below. This opinion shall include certain assumptions, including:

1. The tidelands include ninety-three thousand six hundred (93,600) square feet of area;
2. Parking, restrooms and storage area space required for the existing and future marina development shall be made available for the leased tidelands within the adjacent Lido Marina Village upland properties;
3. The proposed lease shall have a term of fifty (50) years, with a fair market value adjustment at twenty-five (25) years;
4. Fair rental value shall be expressed as a percentage of gross receipts and a minimum annual rental amount;
5. Minimum rent shall be readjusted every five (5) years. Percentage rent shall remain level during the first twenty-five (25) years;
6. Bulkhead maintenance and security will be the responsibility of the upland ownership;
7. During the appraisal process, Consultant shall meet with the upland developer representatives in order to discuss factors that may be pertinent to the rental value estimate; and
8. Fair rental value of tidelands shall be estimated under two bases:
  - a) as currently configured with existing slips, docks and improvements;
  - b) as improved to the property's highest and best use of slip configuration and construction character.

At the completion of the Project, Consultant shall provide City with three (3) copies of a summary narrative appraisal report that shall include:

1. Annual rent values, which shall include annual minimum rent and annual percentage rent;
2. A periodic adjustment amount or factor of the rental values; and
3. The descriptions, data and analyses that support Consultant's conclusions.

Consultant shall complete all Work within sixty (60) days of the Commencement Date.

# QUALIFICATIONS OF GEORGE H. JONES, MAI

Member of the Appraisal Institute  
Certified General Real Estate Appraiser, State of California, No. AG005632

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## Educational:

- High School: Pomona High School
- College: Pomona Jr. College - 1941 - 1942  
Stanford University - 1942 - 1943  
University of California at Berkeley (U.S.N.R. transferee) - June 1943 to June 1944  
Graduated Bachelor Applied Science (Engineering) - June 1944,  
University of California at Berkeley  
(non-interrupted four-year curriculum in three years).
- Advanced Study: American Institute of Real Estate Appraisers - Candidate Study Courses I and II, August - September, 1950; U.S.C. Engineering School, 1949-1950

## Professional:

- 10/51 to Date: Independent fee appraiser, primarily serving general Southern and Central California areas, but with experience in Nevada, Arizona, Utah, and Hawaii. Valuation of all classes of real property: residential, residential income, commercial, industrial, agricultural and special purpose.
- Experienced in problems of fair market value estimations, condemnation, value of lease interests, fair rental estimates, economics of property utilization and others.
- 1948 - 10/51: Real Estate Appraiser, Bank of America, Los Angeles Headquarters. Valuation of all classifications of real property for mortgage loan and fair market value purposes throughout Southern California.
- 1946 - 1948: Estimator - Engineer and Chief Estimator - Engineer  
Southern California area, Bank of America - Los Angeles Headquarters  
Appraisal, secondary duty
- 1946 - 1946: Stress Group (Engineering) - Douglas Aircraft, Santa Monica
- 1944 - 1946: United States Navy, Structures Officer, U.S. Navy Air Corps

Qualified for court testimony as expert witness on real estate valuations in Superior Courts of Orange, Los Angeles, Riverside, San Diego, San Bernardino, Santa Barbara, San Luis Obispo Counties and Salt Lake City, Utah. Also U.S. Federal Court in Fresno and Los Angeles; U.S. Tax Court in Los Angeles;

U.S. Court of Claims in Los Angeles and Honolulu. Appointed as court appraiser within Superior Courts of Los Angeles and Orange Counties and Federal Courts of Los Angeles and Orange Counties.

Served as instructor at UCLA between 1952-1959. Extension courses on Real Property Valuations, primary and advanced. Instructor for American Institute of Real Estate Appraisers at various campuses throughout the United States from 1963-1985. Primary subjects taught: Investment Analysis and Litigation Valuation.

Lecturer at various seminars for Appraisal Institute and International Right-of-Way Association.

Representative appraisal clients include, in part, the following:

Industrial:

Union Pacific R.R., Las Vegas  
Johns Manville Corp., Corona  
Cabot, Cabot, and Forbes  
Beeco Corporation  
U.S. Motors, Anaheim  
National Cash Register Co.  
The Irvine Company  
Los Angeles County Transit District

Yellow Cab Company, Los Angeles  
Ford Motor Co., Newport Beach  
LAX Intercontinental Airport, Palmdale  
Bixby Ranch Company  
Southern Pacific Company  
American Can Company  
Orange County Transit Company

Commercial:

John B. Kilroy Company  
Southern Counties Gas Co.  
Frank H. Ayres and Son  
Sheraton Hotel  
Disneyland, Anaheim  
Bank of America

Los Angeles Community Redev. Agency  
Beverly Hills Develop. Co., Beverly Hills  
Southern California Edison Company  
The Irvine Company  
East Anaheim Shopping Center

Agricultural:

M.B.M. Farms, Cucamonga, Etiwanda  
Bell-Pitzer Groves, Claremont  
Agro Phosphate Co., Imperial Fresno Counties

Rancho Mission Viejo, Orange County  
George Kinsey, Antelope Valley  
The Irvine Company

Residential, Residential Income, Subdivision Acreage:

Hercules Powder Co., San Fernando  
General Motors Real Estate Division  
Southern California Edison Co.  
Pacific Electric Co. - S.P.R.R.  
Fritz Burns Foundation  
Citation Builders

Southern California Gas Company  
The Irvine Company  
Crown Zellerbach Company  
Gersten Corporation  
Estate of William Cagney

Governmental Bodies:

California State Attorney General's Office  
California State Department of Transportation (Caltrans)  
State Department of Finance  
County Counsel - Santa Barbara & Ventura  
County Counsel - San Diego  
Orange County Harbor District  
San Diego United Port District  
Los Angeles Dept. of Water & Power  
State Division of Beaches & Parks  
U.S. Department of Justice, Lands Division, So. District of California  
County of Orange, Flood Control District, County Counsel, Right-of-Way Dept., G.S.A.  
County of Los Angeles, Flood Control District, County Counsel  
County of Los Angeles, Department of Beaches & Harbors  
City of Buena Park  
City of Cathedral City  
City of Corona  
City of Costa Mesa  
City of Fullerton  
City of Hermosa Beach  
City of Laguna Beach  
City of Newport Beach  
City of Redondo Beach  
City of San Clemente  
City of Santa Ana  
City of Santa Barbara

School Districts:

Westminster School District	Anaheim City Schools
Newport City School District	Magnolia School District
Savanna School District	Placentia School District
Fullerton School District	Capistrano School District
San Clemente School District	Chino Unified School District

Lending Institutions:

Bank of America, Trust Depts.	Security Pacific Bank
City National Bank and Trust Co. of Chicago	Pico Citizens Bank
Newport-Balboa Savings and Loan	Crocker - Citizens Bank
Union Bank and Trust Company of Los Angeles	



Attorneys:

Best, Best & Kreiger, Riverside - Barton Gaut  
Santa Fe Southern Pacific Corp., Los Angeles - Anthony P. Parrille  
Gibson, Dunn & Crutcher, Los Angeles - William Stinhart, Jr.  
Gibson, Dunn & Crutcher, Beverly Hills - Robert D. Burch  
Harwood, Adkinson and Meindl, Newport Beach - Don R. Adkinson  
Latham & Watkins, Los Angeles - John C. Hall  
O'Melveny & Myers, Los Angeles - Richard S. Volpert  
O'Melveny & Myers, Los Angeles - Ed Szczepkowski  
Nossaman, Guthner, Knox & Elliott - Alvin S. Kaufer, Rick Fries  
Rutan & Tucker - Clifford Frieden, Mike Rubin  
Berger & Norton - Richard Norton  
Robert Waldron - Santa Ana  
Donald J. Drew - Pasadena

Other:

South Laguna Sanitation District  
Laguna Beach Co. Water District

Orange County Irrigation District  
Anaheim Union Water Company

Specialized Assignments:

In addition to the above general classifications, the undersigned has made valuations of less common properties including, in part, the following:

Undeveloped Islands - Upper Newport Harbor, California  
Beachfront Properties - excess of 200,000 lineal feet of ocean or bay frontage involving over 1,000 parcels between San Luis Obispo County and the Mexican border  
Proposed Marinas - San Elijo Lagoon, Imperial Beach, San Diego County - Harbor Island, City of San Diego  
Existing Marinas -Newport Beach - Lido Peninsula Yacht Anchorage - 228 slips  
Bayshores Marina - 134 slips  
Balboa Yacht Club Marina - 72 slips  
Balboa Corinthian Yacht Club Marina - 83 slips  
Lido Marina Village Yacht Anchorage - 99 slips  
  
Marina del Rey - Aggie Cal Marina - 113 slips  
Parcel 44 Marina - 251 slips  
Parcel 10R Marina - 198 slips  
Tradewinds Marina - 157 slips  
Holiday Harbor Marina - 196 slips  
Catalina Marina - 160 slips  
Marina del Rey Hotel Marina - 377 slips  
Fisherman's Wharf  
Villa del Mar Marina - 209 slips

Windward Yacht Center Marina - 53 slips  
Marina Harbor Marina - 614 slips  
Marina City Marina - 339 slips  
California YC Marina - 307 slips

King Harbor - King Harbor Marina - 852 slips

County of Ventura - Anacapa Isle Marina - 483 slips

Lyon Copley Corona Assoc. - 950 acre planned community  
Rancho Mission Viejo - 52,000 acres ranch  
Santa Cruz Island, California - 58,000 acres  
108,000 acres - portion Twenty Nine Palms Marine Base  
Montana de Oro Ranch - 4,450 acres - Morro Bay Area  
Eight cemeteries - Los Angeles, San Bernardino, Orange County, Honolulu  
Dry lake bottom land and desert properties, Antelope Valley  
Tidelands: Newport Beach, San Diego County, Santa Barbara County  
Duck Clubs - Antelope Valley  
Wildlife Habitats, Wetlands - San Diego County, Orange County, Padilla Bay, Washington  
Sanitary Landfills - Monterey Park, Huntington Beach, Dairyland  
Real Property Damages: Soil subsidence, slippage, critical soils  
Division Lessor - Lessee Interests - Oil producing properties  
Valuation of stock in closely held corporations, Orange, Los Angeles Counties, and Honolulu  
Estimated damages to residential, commercial, industrial, and park land arising from Santa Barbara offshore oil spill (excess of 500 parcels)  
Rights-of-Way; power transmission lines, sewer, drainage, aviation easement, railroads (operating, abandoned)  
Golf Courses: Riverview, Irvine Coast, Newport Beach, South Laguna Hills, Hillcrest, Los Angeles Country Clubs, Rancho Mirage Country Club, Cresta Verde Golf Course  
Chandler's Sand & Gravel Mine - Corona

Membership in Professional Organizations:

The Appraisal Institute (formerly the American Institute of Real Estate Appraisers)  
President - Southern California Chapter No. 5 (1978)  
Governing Counselor (1980-1983)

International Right-of-Way Association

The Appraisal Foundation:

Member Board of Trustees (1987-1992)  
Vice Chairman (1991)

Revised 8/30/10

# QUALIFICATIONS OF CASEY JONES

California Certified General Real Estate Appraiser, License No. AG041862

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## Education:

University of Southern California, Bachelor of Arts

Advanced Study - University of Southern California, Master of Fine Arts, 1978

Real Estate Appraisal Courses (*Appraisal Institute*):

- Appraisal Principles
- Appraisal Procedures
- Basic Income Capitalization
- Standards of Professional Practice
- Apartment Valuation
- Advanced Income Capitalization
- General Market Analysis and Highest and Best Use
- Advanced Sales Comparison and Cost Approaches
- Report Writing and Valuation Analysis
- Advanced Applications
- Comprehensive Appraisal Workshop

## Employment:

1/91 - Present: Real Estate Appraiser and Consultant  
George Hamilton Jones Inc., Newport Beach, California

## Scope of Experience:

Appraisal experience includes most categories of real property. Interests include fee simple, fair leased fee, leasehold, fair market rent, partial acquisitions, easements and rights-of-way. Work has been carried out throughout Southern California.

Property Types:

Single Family Residences	Apartments
Condominiums	Residential Subdivision Acreage
Commercial Buildings	Retail Buildings
Industrial Buildings	Office Buildings
Retail Centers	Service Stations
Vacant Lots/ Land (All types)	Medical Buildings
Mobile Home Communities	Marinas
Conservation/Mitigation Land	Leasehold/ Leased Fee (Residential and Commercial)
Church	Waterfront and Oceanfront Properties
Hotels	Yacht Clubs
Right of Way Corridors	Wetlands

**Speicalized Properties and Assignments (Partial List):**

Marina Pacifica – 569-unit condominium underlying land revaluation, Long Beach  
Kilroy Airport Center Office Complex, Long Beach  
Leasehold Residential Subdivision Land, Custom Waterfront Lots, Newport Beach  
Tidelands, fair rental value at Harbor Island, Newport Beach  
Inland Center Mall – partial acquisition freeway on/off ramp  
Residential Subdivison – Regulatory Taking, Inverse Condemnation, San Juan Capistrano  
BNSF Railway – aerial and other easement acquistions, Anaheim  
245 acres of conservation/mitigation land, San Diego County  
100 acres wetlands, Huntington Beach  
Avalon Canyon Road right of way acquistion, Avalon, Catalina Island  
Mt. Ada Historic Property, value restricted to eleemosynary purposes, Avalon  
Residential subdivision land for mitigation/low-cost housing, Avalon  
H.U.D Apartment Project, Downey  
12-acre vineyard and residence, Bel-Air  
Dana Point Yacht Club, fair market rent  
Newport Beach Tennis Club  
Lyon Copley Corona Association – 950-acre planned unit community  
Port of San Pedro, Terminal and Wharf Facility, leasehold interest  
Properties with soils, subsidence or construction defects issues in Southern California  
Fair rental land valuations in Marina del Rey

**Clients – Attorneys & Corporations (Partial List):**

Anglin, Flewelling, Rasmussen, Campbell & Trytten, LLP – John Anglin, Attorney  
Ayres Hotels  
The Bixby Ranch Company  
Barger & Wolen – Don Adkinson, Attorney  
Chase Development Company  
Curci Companies  
Endangered Habitat League  
The Irvine Company  
La Jolla Bank  
Nossaman, Guthner, Knox & Elliott – Alvin S. Kaufer, James C. Powers, Attorneys  
Mira Mesa Shopping Centers - Brett Feuerstein  
Munger, Tolles & Olson LLP – Richard Volpert, Attorney  
Murphy & Evertz – John Murphy, Jennifer DienhartAttorneys  
The Santa Catalina Island Company

**Clients – Public Agencies, Governmental (Partial List):**

City of Newport Beach  
City of San Juan Capistrano  
County of Orange  
County of Los Angeles Beaches and Harbors  
County of Los Angeles Board of Harbor Commissioners  
State of California Department of Transportation (Caltrans)